The Reality of Canada's International Climate Finance, 2021

Setting a Framework for the Allocation of Canada's $5.3 billion Post-2020 Climate Finance

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AidWatch Canada
Promoting Social Justice

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AidWatch Canada is a Canadian not-for-profit social justice organization, producing and disseminating independent research and analysis on aid and development cooperation trends, policies and practices. Brian Tomlinson is the Executive Director of AidWatch Canada. He can be contacted at brian.t.tomlinson@gmail.com.

Photo credit: Angélica Dale, Cuba, 2012

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Acronyms

C4D	Canadian Coalition on Climate Change and Development
CAN	Climate Action Network
CARICOM	Caribbean Community
COP	Conference of the Parties (UNFCCC)
CRS	Creditor Reporting System (DAC)
CSOs	Civil Society Organizations
DAC	Development Cooperation Committee (OECD)
DRR	Disaster Risk Reduction (DAC purpose code)
ECCC	Environment and Climate Change Canada
EDC	Export Development Canada
EU	European Union
FIAP	Feminist International Assistance Policy
FinDev Canada	Development Finance Institute Canada (Export Development Canada)
GAC	Global Affairs Canada
GCF	Green Climate Fund
GE	Grant Equivalency (concessional loans)
GNI	Gross National Income
HPDS	Historical Projects Data Set (GAC)
IADB	Inter American Development Bank
IFAD	International Fund for Agriculture and Development
IFC	International Finance Corporation (World Bank Group)
ILO	International Labour Organization
IPCC	Intergovernmental Panel on Climate Change
LDCs	Least Developed Countries
LICs	Low Income Countries
LMICs	Lower Middle-Income Countries
MDBs	Multilateral Development Banks
NbS	Nature-based Solutions
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
UNDP	United Nations Development Program
UNEP	United Nations Environment Program
UNFCCC	United Nations Framework Convention on Climate Change
UMICs	Upper Middle-Income Countries
URC	Unconditional Repayable Contribution (a form of a loan with a multilateral organization)

A Profile of Canada's Climate Finance: A Summary Table

Scale of Canadian Climate Finance from 2015/16 to 2020/21[1]	
Metric	**Amount**
(1) $2.65 billion Pledge for the 2016 to 2020 period (Data as of July 2021)	**$2,708.5 million principal purpose projects committed (pledge fulfilled)** $2,540.0 million principal purpose disbursed ($114.3 million pre-2015/16 significant purpose disbursed): Total Disbursed: $2,654.3 million (ECCC/GAC pledge fulfilled) **<u>$2,708.5 million in Commitments (millions)</u>:** Multilateral Development Banks (MDBs) - $1,365.5 (50%) GCF and IFAD - $743 (27%) Other Multilateral - $353.8 (13%) Bilateral - $235.9 (9%) Unannounced - $10.3
(2) Estimate of $2.65 billion disbursements to final project implementors for the 2016 to 2020 period (e.g. by MDB Special Funds) <u>Note</u>: Disbursement data in (1) above is disbursements from Canada's accounts. (Data as of July 2021)	**Estimate of disbursements: 53% of commitments** (Excluding $403.3 million where actual disbursements unknown) Six MDB Special Canadian Funds: 32% of commitments (two funds established in past two years)
(3) Estimate of Canada's Total Cumulative Climate Disbursements, from all Channels and modalities, Total disbursements, 2016 to 2020 <u>Note</u>: Disbursements are as recorded in Canada's accounts **See the assumptions listed in Table Nine**	**Total: $5,679.8 billion in disbursements** **Of which:** • $2,407.0 million disbursements (42% of total) linked to the $2.65B commitment; • $69 million (1%) other government bodies • $576.2 million (10%) bilateral significant purpose projects @ 30% of total project disbursements • $1,418 million (25%) from Export Development Canada • $184.6 (3%) from FinDev Canada • $1,025 million (18%) mobilized private sector finance • Excludes $1,722.5 million in core multilateral support imputed to Canada. **Estimated total climate finance disbursements (all channels) in 2020/21:** $1.5 billion

[1] <u>Note</u>: This Report uses a different methodology and data sources in determining Canada's total climate finance and its fair share of the US$100 billion UNFCCC commitment than the Government of Canada. See the Methodological Note. Unless otherwise stated, all dollar figures in this paper are Canadian dollars.

Meeting Canada's Fair Share of US$100 Billion	
Metric	**Amount**
(4) Canada's new 2020 to 2025 Bilateral Pledge (June 2021)	**$5.3 billion over five years**, 2021/22 to 2025/26
(5) Canada's Fair Share of Climate Finance of US$100 billion @3.8% of US$100 billion global commitment, based on Canada's average GNI relative to other providers and $1.25 exchange rate. DAC Roadmap for US$100 billion: • Bilateral: US$37.3 billion • Attributable Core Multilateral: US$29.5 billion • Mobilized Private Sector (by public resource): US$33.2 billion	**Total Fair Share: Cdn$4.75 billion of US$100 billion** Bilateral: $1.8 billion per year (relating to $2.65B and $5.3B commitments) Attributable Multilateral: $1.4 billion Mobilized Private Sector: $1.55 billion
(6) Achieving a Fair Share of Climate Finance by Canada	**An estimate of $1.5 billion in total climate finance in 2020** (see [3] above) is 32% of Canada's fair share of total US$100B commitment (including mobilized finance and imputed multilateral finance) **$5.3 billion pledge** for bilateral climate finance is approximate 60% of Canada's five-year fair share ($1.8B X 5 = $9 billion)
(7) Determining Canadian Climate Finance Additionality	**$5.3 billion is double $2.65 billion commitment**, but no clarity on additionality relative to other ODA flows No fiscal framework and/or transparency provided for the $5.3 billion pledge in relation to the International Assistance Envelope. **Additionality should also consider the 2015 pledge of $800 million in climate disbursements in 2020/21**, which if carried forward, would be $4 billion over five years.

Adaptation / Mitigation Balance (50%/50% Goal)	
Metric	**Amount**
(8) 2.65 billion committed projects (Data as of July 2021)	**31% Adaptation** / 69% Mitigation
(9) Climate Disbursements, 2016/17 to 2019/20 Principle Purpose Projects Significant and Principle Purpose Projects	 **25% Adaptation** / 75% Mitigation **34% Adaptation** / 66% Mitigation
(10) Estimate of Total Climate Finance, All Channels and All Modalities (#3 above)	**28% adaptation** / 72% mitigation

Support to the Vulnerable[2]	
Metric	**Amount**
(11) Income Groups	LDCs/LICs: 14% LMICs: 16% UMICs: 16% Global / Unallocated: 54%
(12) Geographic	Africa:10% Pacific: 1% Asia: 10% Americas: 11% Caribbean: 4% Global: 59% Unknown: 5%

Gender Equality and Women's Empowerment in Canada's Climate Finance[3]	
Metric	**Amount**
(13) Significant Purpose Gender Equality (one gender equality objective among other project objectives)	94%
(14) Principal Purpose Gender Equality (gender equality main objectives for project)	0.1%
(15) No Gender Equality Objective	6%
(16) Support for Women's Rights Organizations	0.1%

[2] Based on allocation of $2.65 billion projects commitments (July 2021)

[3] Based on GAC principal / significant purpose climate project disbursements, cumulative 2016/17 to 2018/19.

Modalities for Delivering Canada's Climate Finance	
Metric	**Amount**
(17) Loans and Grants[4] Share of loans in $2.65B actual total project commitments ($2,708.5 million) (Data July 2021)	$2.65B pledge commitments: **70% loans** / 30% grants MDB Channels: **93% loans** / 7% grants

Channels of Delivery	
Metric	**Amount**
(18) Main Channels for Delivery of Climate Disbursements, cumulative 2016/17 to 2019/20 (HPDS)	MDBs & Multilaterals – 84% Civil Society – 9% Governmental – 3% Private Sector – 1% Other – 3% Note: Taking account Special MDB Funds, the private sector is final implementor of at least 53% of the $2.65B pledge

Sector Allocation of Canada's Climate Finance	
Metric	**Amount**
(19) Main Sectors for Climate Disbursements, cumulative 2016/17 to 2019/20 for both principal purpose and significant purpose projects	Renewable and Other Energy: 54% Environmental Policies and Activities: 15% Agriculture and Forestry: 15% All Other Sectors: 16%

Canada in Comparison with Other DAC Donors[5]	
Metric	**Amount**
(20) Total Climate Finance Ranking (Cumulative commitments, 2016 to 2019)	**10th among 23 UNFCCC Annex II DAC donors** 9th for adaptation only 9th for mitigation only
(21) Climate Finance as Share of GNI Ranking (Cumulative commitments, 2017 to 2019)	**13th among 20 Annex II DAC donors** (0.007% of Canada's GNI)
(22) Climate Finance Share of Real ODA Ranking	**8th among 20 Annex II DAC donors**
(23) Use of loans as a Share of Donor Climate Finance Ranking	**3rd among 7 donors that use loans.** Other (15) Annex II donors provide grants.

[4] Based on project commitments for $2.65 billion and principal purpose bilateral projects.

[5] All donors adjusted with significant purpose climate finance included at 30% of commitment/disbursement. Ranking in terms of adaptation/mitigation is unreliable due to issues in coding the Rio Markers to donor projects (e.g. Canada's coding for several MDB projects).

Nature Based Solutions	
Metric	**Amount**
(24) Estimates of Canada Nature-Based Solutions (NbS) Financing No agreed metric to determine level of NbS financing UNEP methodology based on estimates of the share of DAC sector codes spending related to NbS Biodiversity Marker: Significant purpose reduced to 30% of disbursements	UNEP Methodology: US$70.3 million (2019 Gross Disbursements) Biodiversity Marker: Cdn$113.7 million disbursements in 2019 (of which Cdn$57.8 million was for biodiversity principal purpose projects).

Loss and Damage Financing	
Metric	**Amount**
(25) Estimates of Canada's Loss and Damages Financing No agreed metric to determine loss and damages financing additional to current commitments to adaptation DAC created a Disaster Risk Reduction (DRR) Marker implemented in 2019	DRR for 2019/20: $77.2 million principal purpose disbursements (of which $75.8 million included in climate finance, equally allocated to adaptation and mitigation) $2.65B project commitments: $101.8 million identified as projects related to various forms of loss and damages insurance (included as adaptation).

Notes on Metric Sources in Paper

(1) Section 3.1, Annex 5
(2) Section 3.2
(3) Section 5.1, Table Nine
(4) Section 2.3
(5) Section 2
(6) Section 2.3; Section 5.1
(7) Section 2.3
(8) Section 3.3
(9) Section 4.2
(10) Section 5.1, Table Nine
(11) Section 3.5
(12) Section 3.5
(13) Section 9
(14) Section 9
(15) Section 9
(16) Section 9
(17) Section 3.4
(18) Section 6
(19) Section 8
(20) Section 10, Annex 11
(21) Section 10, Annex 11
(22) Section 10, Annex 11
(23) Section 10, Annex 11
(24) Section 2.3
(25) Section 2.3

The Reality of Canada's International Climate Finance, 2021

1. Introduction

Canada announced at the UK G7 meeting in June 2021 that it would provide $5.3 billion in international climate finance between 2021/22 and 2025/26, doubling its earlier pledge of $2.65 billion.[6] This pledge "includes increased funds for adaptation and biodiversity, [while also increasing] its grant contributions of climate financing up to 40 per cent, from 30 per cent previously."[7] This announcement will be an important part of Canada's contribution to the post-2020 pledge to deliver US$100 billion a year from 2020 to 2025 agreed at COP21 in Paris in 2015.

Canada joins the United States, the UK, and Ireland in doubling its climate finance for the post-2020 period. The Government's announcement was welcomed by Canadian CSOs as a signal that Canada recognizes that increased climate finance is at the heart of a successful COP26.[8]

Meeting the 2009 Copenhagen commitment to deliver annually US$100 billion in climate finance by 2020 and to ramp up ambitious donor commitments post-2020 is critical to reducing the mounting distrust between developed countries and developing countries and key to the success of COP26. Trust levels are low, as it seems likely that developed countries did not achieve US$100 billion in 2020, according to the Independent Expert Group on Climate Finance.[9] In July, the UK COP26 Presidency announced that Canada and Germany, a major climate finance donor, will lead a pre-COP26 process to build trust and "engage with global partners on a plan to deliver on the US$100 billion Climate Finance goal."[10]

There is so little time to act effectively to avert the worst consequences of climate change, keeping average temperatures below 1.5° C, the aspirational target in the Paris Agreement. In early August 2021, the Intergovernmental Panel on Climate Change (IPCC) released its Sixth Assessment Report on the physical science underlying climate change. The Report was a clarion call for urgent and immediate action

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[6] Unless otherwise stated, all dollar figures in this paper are Canadian dollars.

[7] Justin Trudeau, Prime Minister of Canada, "Building back: A fairer, cleaner and more prosperous future for all," G7 Summit, UK, June 13, 2021, accessed August 2021 at https://pm.gc.ca/en/news/backgrounders/2021/06/13/building-back-fairer-cleaner-and-more-prosperous-future-all.

[8] See Climate Action Network Canada, June 13, 2021 at https://climateactionnetwork.ca/2021/06/13/climate-action-network-canada-and-the-canadian-coalition-for-climate-and-development-respond-to-g7-announcement-on-climate-finance/.

[9] International Expert Group on Climate Finance, "Delivering on the $100 billion climate finance commitment and transforming climate finance," December 2020, accessed September 2021 at https://www.un.org/sites/un2.un.org/files/100_billion_climate_finance_report.pdf.

[10] Canada selected to co-lead work to build an international climate finance action plan ahead of COP26," accessed September 2021 at https://www.canada.ca/en/environment-climate-change/news/2021/07/canada-selected-to-co-lead-work-to-build-an-international-climate-finance-action-plan-ahead-of-cop26.html.

for a dramatic reduction and elimination of greenhouse gas emissions. Building on decades of warnings from scientists, the scale of recent changes in levels of CO_2 and other greenhouse gases are now unprecedented in thousands of years of climatic history. The Report concluded that "global surface temperature will continue to increase until at least 2050 and many of the changes due to past and future greenhouse gas (GHG) emissions are irreversible for centuries to millennia, especially changes in the ocean, ice sheets, and global sea level."[11]

The Report warns that global warming of 1.5° C will be exceeded sometime between 2021 and 2040 in all but the lowest emissions scenario. In the words of the UN Secretary General Guterres, "This report must sound the death knell for coal and fossil fuels before they destroy our planet."[12] The IPCC will follow this Report with two others. The second Report in early 2022 will focus on a global assessment of impact, adaptation, and vulnerability, given the likely scenarios for further climatic changes.

It is very clear that the global climate crisis is accelerating rapidly with deepening and irreversible impacts on people, nature and ecosystems, now compounded as the world continues to be confronted by an unprecedented global pandemic. The pandemic has revealed the deeply disturbing limits in global solidarity, particularly on the part of the international donor community, in the face of profound vulnerabilities for hundreds of millions of people throughout the Global South.

The climate crisis is also a global justice challenge of the first order.[13] The pandemic sets a challenging political context for addressing the climate emergency. A recently published United Nations Report, *2021 Financing for Sustainable Development,*[14] warns that the pandemic could lead to a lost decade for development, noting that there is a sharply diverging and unequal world emerging from the lack of access to resources by poor countries and people to combat the crisis.

Philip Alston, the UN Special Rapporteur on Poverty and Human Rights, had already pointed to the divisive and multiple implications of the climate crisis for the rights of poor and vulnerable people. In parallel to the experience of developing countries with respect to vaccines, he asserted that "we risk a 'climate apartheid' scenario where the wealthy pay to escape overheating, hunger and conflict, while the rest of the world is left to suffer."[15]

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[11] Intergovernmental Panel on Climate Change, "Sixth Assessment Report Climate Change 2021: The physical science basis," August 2021, accessed at https://www.ipcc.ch/report/ar6/wg1/.

[12] Secretary General's statement on the IPCC Working Group 1 Report on the Physical Science Basis of the Sixth Assessment, August 9, 2021, accessed September 2021 at https://www.un.org/sg/en/content/secretary-generals-statement-the-ipcc-working-group-1-report-the-physical-science-basis-of-the-sixth-assessment.

[13] See Tom Athanasiou, "Globalizing the Movement," June 2019, accessed September 2021 at https://greattransition.org/gti-forum/climate-movement-whats-next.

[14] See the report at http://developmentfinance.un.org/fsdr2021

[15] Philip Alston, "Climate change and poverty: Report of the Special Rapporteur on extreme poverty and human rights", A/HRC/41/39, June 25, 2019, page 14, accessed August 2019 at https://www.ohchr.org/Documents/Issues/Poverty/A_HRC_41_39.pdf.

International climate finance therefore is both a question of justice and human existential survival on the planet. Providing sufficient finance is urgent if developing countries are to avoid the worst impacts of climate change through adaptation, with finance for green energy paths, and additional resources to respond to immediate impacts of extreme weather events and long-onset climate change.

Is Canada's $5.3 billion pledge sufficient and at least equal to our fair contribution to the global $100 billion target? How well is Canada positioned to meet the global challenges of the pandemic, the climate emergency and poverty in ways that address the implications of climate apartheid? This *Reality of Canada's International Climate Finance, 2021* Report examines the ambition, priorities, and projections for Canada's international climate finance going forward to 2025/26.

The Report starts with an analysis of the potential implications of the $5.3 billion pledge, recognizing that not much is known about the details of this pledge at the time of writing. It then examines in more detail the experience in implementing the previous $2.65 billion pledge, with lessons from this experience that should inform a framework for allocations over these five years. It is structured accordingly:

1) **Situating Canada's $5.3 billion climate pledge for 2021 to 2025** The Report opens by situating the $5.3 billion pledge in relation to the main proposals from the 2020 GAC consultation on climate finance and key civil society concerns for Canada's climate finance going forward, looking specifically at its additionality, its balance between loans and grants, its focus on nature-based financing and its focus on loss and damages.

A framework for its implementation is then informed by

2) **A detailed analysis of the allocations of Canada's $2.65 billion pledge** A review of the project commitments identified with Canada's $2.65 billion five-year pledge to climate finance, including a detailed examination of climate related project disbursements between 2016/17 and 2019/20 (the last fiscal year for which data is available). *What needs to change?*

3) **An understanding of the scope for estimating total Canadian climate finance** The Report deconstructs the main elements of Canadian climate finance from all sources, with a five-year estimate, based on available data, of total climate finance from 2016 to 2020. *Where will the $5.3 billion pledge fit within these dimensions of Canada's climate finance going forward?*

4) **An examination of key trends in Canadian climate finance** The Report reviews available information and trends regarding the sectoral allocations of Canada's climate finance, its support for multilateral initiatives, its deployment through different channels of delivery, and its consideration of gender equality purposes in its allocations. *What lessons should inform the allocation of the $5.3 billion pledge?*

5) **A comparative perspective with other donors for Canada's climate finance** The Report reviews OECD DAC data to compare the levels of Canada's climate finance with other DAC donors, Canada's climate generosity relative to its Gross National Income, and its use of loan finance.

The Report concludes with a few reflections on the potential deployment of the $5.3 billion climate pledge. A Summary Chart is included at the front end to highlight key data from the Report and each section also highlights the main points raised.

2. Situating Canada's $5.3 billion Climate Pledge for 2021/22 to 2025/26

Components for a Framework for Canada's $5.3 billion Climate Finance Pledge – Key Points

1. **Canada has committed $5.3 billion in climate finance for the period 2021/22 to 2025/26, with increased funding for adaptation and increasing grant finance to 40%. However, the Government has not set out a specific framework for allocating these resources based on the lessons from the previous $2.65 billion allocations and an in-depth consultation in 2020 on future climate finance.**
2. **The *What we Heard* report of the ECCC/GAC consultation sends mixed messages. The Government's nine-point summary offers only modest criticism of current practices and will likely inform the allocations of the $5.3 billion pledge, while the status of issues from submissions documented later in the report remains unknown.**
3. **The detailed elaboration of issues in *What we Heard,* which were raised in the consultation, however, affirms long standing proposals from Canadian CSOs in C4D and CAN for a more transformative Canadian climate action strategy that a) significantly prioritizes adaptation, b) supports countries to move towards a low or no-carbon economy, c) focuses on the most vulnerable people and countries (LDCs and SIDS), d) provides mainly grant-based resources through diversified channels, e) effectively supports locally-led solutions, with community and Indigenous Peoples' leadership, f) is gender-sensitive in engaging women and their organizations, and g) promotes rights-based nature-based solutions.**

Canada's G7 announcement of $5.3 billion in climate finance over five years was welcome and seemed ambitious. But the Government has yet to provide any further detail regarding a) what aspects of Canada's climate finance is included in the $5.3 billion commitment (see **Table Eight** below), b) a fiscal framework for disbursing the pledge within the International Assistance Envelope, or c) an international climate policy framework and rationale for determining the priorities and broad allocations for this $5.3 billion in climate finance. Its allocations will presumably be guided by the overall priorities set out in the Feminist International Assistance Policy (FIAP), FIAP's implementation plans for addressing the climate and environment emergency, with a focus on gender equality and women's empowerment.

This new five-year pledge international finance will be allocated over the period from April 2021 to March 2026. This comes after an extensive Canadian consultation on the next iteration of Canada's international climate finance, which the Government undertook in 2020. The Government heard from a wide range of Canadian and international actors, including meetings with Indigenous Peoples to gain their unique perspective. A framework for implementing the $5.3 billion pledge should be informed by the detailed outcomes of this consultative process.

2.1 What We Heard on Canada's Future Climate Finance Strategy for Developing Countries

A *What we Heard* summary of ECCC/GAC's summer 2020 consultation was published by the Government in December 2020.[16] Unfortunately it sends some mixed messages. **Annex One** reproduces the Government's nine-point summary, which they took to be the core messages they heard from this consultation. While this nine-point summary draws upon the various submissions, it tends to orient "what was heard," towards only modest criticism to what has been the current modalities and orientation in its $2.65 billion allocations for climate finance. Previous *Reality of Canada's Climate Finance* reports, and policy briefs by C4D and the Canadian Climate Action Network, including their submission to the consultation, were very critical of these modalities and orientations.[17] Many of the points raised by CSOs are found not in this nine-point summary, but in detailed elaboration of what was heard later in the document.

The nine-point summary could be the reference point for the Government going forward with the $5.3 billion pledge. Encouragingly, the nine-point summary does call for increased focus on adaptation, community resilience and community-led solutions, but only later in the narrative text acknowledges the need for a 50/50 balance between adaptation and mitigation. The Government's nine points are largely uncritical of its current emphasis on mitigation and the related very heavy reliance on the private sector for climate change solutions, mainly for mitigation. No mention is made of the importance of civil society in addressing community resilience and adaptation, beyond a vague reference to "financing at the local level".

Among the nine points is a call for increasing grants in Canada's climate finance, but they also suggest uncritically that Canada will continue to be among the small minority of donors that continue to use loans, while exploring new financing mechanisms and increasing the effectiveness of its loan portfolio. Importantly, the summary affirms the importance that Canada's climate finance "respects, promotes and advances the rights of Indigenous Peoples and integrates their perspectives, needs, and approaches throughout its international climate finance programming," including looking to support Indigenous-led climate action. This latter orientation has been absent from the $2.65 billion allocations.

The more detailed elaboration of *What We Heard* does highlight and acknowledge many important issues raised in the various submissions, many of which would imply a substantial revision in the Government's current approach to climate finance. The status of these contributions remain unknown.

Among some of these issues, which have been long standing for CSOs in Canada's climate finance:

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[16] Government of Canada, "What We Heard on Canada's Future Climate Finance Strategy for Developing Countries," December 2020, accessed August 2021 at https://www.international.gc.ca/gac-amc/publications/consultation/climate-finance-financement-climatique/report-rapport.aspx?lang=eng.

[17] C4D, "Submission to Canada's International Climate Finance Consultation," August 2020, accessed at http://climatechangeanddev.ca/wp-content/uploads/2020/09/C4D-Submission-Canadas-post-2020-climate-finance-.pdf.

- "Canada should **contribute its fair share** by expanding its overall aid budget and contribution to climate finance, in order to help achieve the collective goal of mobilizing US$100 billion per year by 2020."
- "**Diversify its partners and funding mechanism**s in international climate finance in order to improve access to finance for women and local organizations, and to expand support for adaptation."
- With respect to adaptation, "**focus on helping people who are hardest hit by climate change: women and girls and the poorest and most vulnerable**, Least Developed Countries, Small Island Developing States, and Indigenous Peoples. This is critical to delivering gender-responsive, resilient climate action."
- Promote **climate smart agriculture and food systems**, by providing "assistance to small-holder and subsistence farmers, especially women in developing countries, who are being impacted by unpredictable weather patterns, severe weather events, pests and diseases, which affect their livelihoods and food security."
- On mitigation, "help developing countries **move toward a low- or no-carbon economy**, by equipping them to develop energy transition plans that will lead to inclusive and sustainable growth." "Ensure that mitigation activities also help beneficiaries become energy self-sufficient, less indebted, and less involved in conflicts around energy supply." No reference is made, however, to those that strongly urged the government also to end all public subsidies for fossil fuel investment and development.
- While **focusing on nature-based solutions**, the government should "engage with Indigenous Peoples, including with women and girls, in the planning, implementation and scaling-up of new and innovative rights-based, nature-based solutions, and strengthen their capacity to participate in the governance of these solutions and stewardship of natural resources."
- On **locally led solutions**, "empower communities and local governments on the front lines of climate change with the tools to not only respond, but to be agents of climate solutions [building] their capacity and knowledge, including in specialized areas related to climate action…" But beyond support for small and medium CSOs there is little acknowledgement of a substantial contribution of civil society actors, particularly at the community level, in addressing the uniqueness of local climate adaptation requirements.
- On **loss and damage** the document doesn't talk about loss and damage. Instead, it only acknowledges the importance of community-based risk management and the need to "increase the capacity of local governments and organizations to influence climate disaster risk reduction and climate change adaptation policies and the way these risks are considered in budget allocation." But there is no mention of those who suggested that Canada must increase its finance for loss and damage over and beyond its adaptation finance.
- On **gender responsive climate finance**, "ensure that funding reaches women's organizations, particularly at the local and grassroots levels, and strengthens women's capacity to participate in decision-making and to lead climate initiatives," "commit 15% of Canada's international climate

finance to gender equality as a "principal" objective," and "adopt a gender-transformative approach to climate finance." There was mention of a CSO proposal for "creating dedicated funding mechanisms with multilateral partners for women's climate adaptation that would prioritize support for women-led organizations and women small-scale farmers and their associations."

- Working in **partnerships with Indigenous Peoples** and particularly indigenous women, is an essential dimension of a reorientation of Canada's climate finance going forward, which is currently largely absent. Key aspects are measures that "ensure that Canada's future climate finance investments uphold the principle of Free, Prior and Informed Consent and the United Nations Declaration on the Rights of Indigenous Peoples, more broadly," implementing "a rights-based approach to the implementation of nature-based solutions, and "empower Indigenous Peoples to lead climate action."
- On i**ncreasing grants and changing the approach to loans**, the detailed summary largely ignores the many voices that called, not for changing the approach to loans, but for a grants-only modality for Canada's climate finance, acknowledging that developing country partners should owe nothing to Canada for a climate emergency not of their making. The several points highlight the importance of grants for nature-based solutions, adaptation, and resilience and for climate disaster risk insurance programs. Several proposals are made to improve the effectiveness and reach of loans in climate finance through various intermediaries, but do not address questions of coherence of loan modalities with other aspects of a reorientation to Canada's climate finance in the points highlighted above.[18]
- While the summary suggests that "the key message from consultation participants was that adaptation and mitigation outcomes in developing countries should be supported by the knowledge, expertise and experience of the **Canadian private sector**," the summary did not report any concerns raised about blended finance subsidizing the private sector without additionality, free, prior and informed consent in private sector climate projects, and the larger role of the private sector in perpetuating the carbon economy.

[18] In the January 2021 "Biennial Communication by Canada," *op. cit*. [footnote 41] the Government indicated that "Grant support is used where affordable market-based financing is not viable, for example, for many adaptation projects in the poorest and most vulnerable countries, or for early stages of technology demonstration projects. Non-grant financing, including on concessional terms, is the primary choice when affordable market-based financing is constrained by factors such as market failures, capital availability, and perceived risks. Non-grant instruments primarily target middle-income countries and non-sovereign proponents, notably the private sector, to avoid increasing the debt burdens of lower-income countries." It also highlighted that "Canada is also exploring new instruments (such as Catastrophe and Resilience Bonds) to support disaster-related risk-sharing, and new approaches like the Ocean Risk and Resilience Action Alliance, to bring together governments, financial institutions, the insurance industry, conservation organizations, and other stakeholders to unlock increased private investment in resilience." But how are these loan mechanisms and other financial instruments compatible with an approach to climate finance that targets vulnerable populations, with an emphasis on women and girls, in low income and lower middle-income countries?

- On **ensuring aid effectiveness in international climate finance,** "uphold international principles of aid effectiveness [is essential], including ownership by developing countries of climate action initiatives; alignment with developing countries' adaptation and mitigation plans, capabilities and commitments; harmonization of actions and procedures with other donors; management for results; and mutual accountability."
- On **accountability**, "Strengthen monitoring and evaluation of Canada's climate finance in order to monitor results with respect to the poorest and most vulnerable, women's empowerment, and other development goals."

2.2 Components for a Framework for Implementing the $5.3 billion pledge

The *What We Heard* document has a wealth of ideas and approaches, such as those highlighted above, which could shape an effective and coherent implementation strategy and framework for the allocation of the new $5.3 billion pledge. Such a framework should consider lessons from the previous five years as revealed through the consultation and in the analysis which follows in this Report. In a letter to the Ministers for Environment and Climate Change and for International Development, C4D and the Climate Action Network suggested the following principles to guide future allocations,[19]

- Ensuring climate finance **additionality** beyond existing Official Development Assistance (ODA);
- Giving priority to **adaptation and nature-based solutions**;
- Addressing **Loss and Damage,** beyond finance for adaptation (and the US$100 billion commitment);
- Giving **priority to feminist climate action**, aligning investments with the Feminist International Assistance Policy (FIAP) Action Areas including providing direct support to women's rights organizations leading the response to this climate crisis;
- Supporting l**ow greenhouse gas emissions pathways** and climate-resilient development, and ensuring funds are not used to expand fossil fuels dependence;
- Earmarking funds that will **reach most vulnerable countries and people**, particularly Small Island Developing States (SIDS) and Least Developed Countries (LDCs), and consistent with development effectiveness principles; the rights of Indigenous Peoples and;
- Establishing **diversified financing modalities** beyond those used during the 2015 - 2020 period, based on learnings from the previous multi-year pledge.

Whether the post-election government follows up with further consultations and the elaboration of a five-year international climate strategy along these lines remains to be seen.

[19] C4D and CAN, "Letter to The Honourable Karina Gould, Minister of International Development, and The Honourable Jonathan Wilkinson, Minister of Environment and Climate Change," June 24, 2021, unpublished.

2.3 Issues and challenges in the $5.3 billion commitment

Issues and Challenges in the $5.3 billion Climate Finance Commitment – Key Points

1. **Fair share** — **The $5.3 billion is approximately 60% of Canada's fair share of the bilateral component of the UNFCCC commitment of US$100 billion in annual climate finance to 2025 (Cdn$9 billion). It is 78% of the $6.76 billion proposed by Canadian groups asking Canada to meet its fair share between 2020 and 2025.**
2. **New and additional** — **While $5.3 billion doubles the previous $2.65 billion, it does not address the other commitment to disburse $800 million annually in climate finance by 2020. Assuming this goal is achieved, at least $4 billion would have been required not to move backwards from this $800 million commitment. From this perspective only $1.3 billion might be considered additional. Whether it is new will depend on increases to the International Assistance Envelope over the next four years to cover climate disbursements.**
3. **Loans and grants** — **The very modest improvement in providing 40% of its new pledge as grants will still leave the majority of climate finance ($3.2 billion) as loans, up from $1.9 billion for the previous five years.**
4. **Nature-based solutions** — **The Canadian government wants to orient climate finance to increase funding for nature-based solutions (NbS). However, here is no agreed methodology for determining financing for NbS. The UNEP has brought together an understanding of principles to guide NbS and to determine financing (based on scaled DAC sector codes). Canada allocated 2.2% of its gross sector allocated disbursements in 2019 to NbS.**

   The DAC also collects data on biodiversity allocations as a distinct sector code. By this measure, Canada disbursed 2% of its total disbursements in 2019/20 to biodiversity. It disbursed 11% of adaptation finance and 32% of mitigation finance accordingly. However, an examination of specific projects raises questions about this coding.
5. **Indigenous Peoples' leadership** — **Currently there are few examples of projects working in partnership with Indigenous Peoples organizations. Indigenous Issues inform 44% of projects with a biodiversity marker in 2019/20, but all of these projects were those with Indigenous Issues, marked significant purpose, not principal purpose. The very few principal purpose Indigenous Issues projects were those with no climate purpose.**
6. **Loss and damages** — **There are increasing calls for funding to go to loss and damages, seen as liability and compensation by developing countries. However, negotiations in this area n the UNFCCC are politically challenging and ongoing.**

   The new DAC purpose code for disaster risk reduction (DRR) is a proxy for loss and damages financing. Canada coded $75.6 million in 2019/20 in disbursements related to DRR, all of which were also coded to principal purpose adaptation and mitigation.

   A review of the $2.65 projects revealed that 28% of adaptation commitments related to loss and damage, mainly in support of various forms of insurance.

The $5.3 billion commitment doubles the previous five-year $2.65 billion, following the lead of the United Kingdom and the United States. The commitment of these new resources will happen over the next five years, with corresponding disbursements. While a doubling of climate finance is very welcome, several

questions can be raised in relation to issues and challenges relating to the sufficiency of this climate finance and its potential allocation.

A renewed pledge and Canada's fair share of US$100 billion How does this announcement relate to Canada's contribution of its fair share of the UNFCCC US$100 billion commitment for donor climate financing between 2020 to 2025? The new $5.3 billion pledge should be implemented through principal purpose climate projects that are related to the bilateral portion of this UNFCCC commitment, or US$37.3 billion annually. Canada's fair share has been determined to be Cdn$1.8 billion annually. Spread over five years, Canada's fair share for the period 2021/22 to 2025/26 is therefore $9 billion, of which $5.3 billion is approximately 60% for bilateral finance.

The 2020 *Reality of Canada's Climate Finance* report had proposed a five-year plan that achieved Canada's bilateral fair share of $1.8 billion in annual disbursements by 2025/26, which would have required an investment of $6.76 billion.[20] The $5.3 billion pledge is 78% of C4D's proposed financing over these five years, which achieved Canada's fair share in the final year, 2025/26. But unlike in 2015, the Government did not pledge to achieve a disbursement target in the final year, 2025/26. Locking in $1.8 billion in annual disbursements (Canada's bilateral fair share) by that year should be the starting point for Canada's contribution to post-2025 climate finance. It would have set a strong signal by Canada in its ambition for the UNFCCC negotiations for this post-2025 financing target. While Canada's doubling has been welcomed globally, it also demonstrates that Canada still has a way to go to catch up to the few donors that have been providing their fair share of the $100 billion in climate finance.[21]

Additionality Another aspect of CSO proposals for climate finance is additionality. CSOs and developing country parties to the UNFCCC have called upon Part One (provider) countries to respect their commitment in the COP15 2009 Copenhagen Accord to, "scaled-up, new and additional, predictable and adequate funding ... to developing countries [emphasis added, §9]."[22] This Accord is the origins of the $100 billion target, which in itself was a negotiated amount, unrelated to actual need for climate adaptation and mitigation in the Global South. Climate finance should be additional to current levels of aid for other purposes and/or provided without compromising ODA financing.

The government will suggest that doubling Canada's climate finance is a strong indication of additionality.

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[20] See Tomlinson, "The Reality of Canada's International Climate Finance, 2020," Table 12, AidWatch Canada, September 2020, accessed at www.aidwatchcanada.ca.

[21] According to an ODI study these countries are Germany, Norway and Sweden, with France and Japan coming close. Canada ranks 18th out of 23 donors in this study. Fair share is based on a combined metric of share of GNI, share of GHG emissions, and population. See Sarah Colenbrander, Yue Cao, Laetitia Pettinotti and Adriana Quevedo, "A fair share of climate finance?," Overseas Development Institute, Discussion Paper, September 2021, accessed September at https://odi.org/en/publications/a-fair-share-of-climate-finance-apportioning-responsibility-for-the-100-billion-climate-finance-goal/

[22] See https://unfccc.int/resource/docs/2009/cop15/eng/11a01.pdf.

To a degree, in the government's perspective on additionality, it is.[23] But in these terms, in 2015 Canada also promised to achieve $800 million in annual climate finance disbursements by 2020/21, which should be considered when measuring the $5.3 billion commitment against the 2015 commitment. The data is not yet available to attest to the achievement of this goal, although there is no reason to suggest otherwise. If so, $800 million in disbursements in 2020/21 should be seen as a base for the next five years. A minimum of $4 billion ($800 million X 5) in climate finance therefore would have been needed to indicate that Canada was not moving backwards from this earlier commitment. From this perspective, only a more modest $1.3 billion spread over five years has been achieved as "additional" climate finance.

As indicated later in this Report, almost all providers' bilateral climate finance has been included in their ODA. DAC members are allowed to report climate finance as ODA if these resources are concessional and target developing countries (ODA reporting criteria). CSOs have long insisted that the original commitment that climate finance be new and additional to existing ODA is a critical condition for their trust in the UNFCCC process on the part of developing countries. From a climate justice point of view, developing countries should not be paying for the impacts of climate change they had little part in creating; from a development finance perspective, increased development cooperation for all development goals (meeting the ODA target of 0.7% of GNI) will be crucial if developing countries are to mount a post-COVID green recovery and achieve the SDGs by 2030.

Additionality in relation to Canadian ODA means additional resources for the annual base of the International Assistance Envelope (IAE). The Government has promised to increase the IAE by $100 million in the next three fiscal years, 2021/22 to 2023/24, but there is no indication of any future increases to the base. There is no indication as to the integration of disbursements for the $5.3 billion pledge in the fiscal framework for the IAE set out in the 2021 Federal Budget. *Budget 2021* announced $1.4 billion in one-off additions to the IAE up to 2025/26, but front-loaded these additions with $1.26 billion in 2021/22 (87%). (See **Annex Two** for details on the additions to the IAE in *Budget 2021*.)

What level of disbursements for climate finance is likely to be added to the IAE to cover the $5.3 billion pledge? If it assumed that the government would commit and disburse the $5.3 billion pledge in the same proportion as the $2.65 billion pledge (I.e. fully committed by 2025/26 and 94% disbursed),[24] there will be approximately $5 billion in additional disbursements. To ensure additionality, these resources must be added annually to the IAE in subsequent Federal Budgets. If they were to come from within the fiscal framework announced in *Budget 2021* (i.e. from the announced levels of the IAE for these future years as set out in **Annex Two, summary lines 3 and 4**), they will significantly affect levels of ODA for other purposes. Most of these new resources must be found in the next four fiscal years, 2022/23 to 2025/26.

[23] See Canada's Fourth Biennial Report to the UNFCCC for its definition of additionality: "Canada's $2.65B climate finance commitment is an increase in previous annual levels of climate finance during Fast-Start. Through this commitment, Canada is supporting climate projects that are above and beyond what was planned prior to the Convention and Copenhagen Accord." (Note to Table 7)

[24] Derived from Table 2 below: $2,540 million in disbursements for principal purpose projects related to the $2.65 billion pledge, from $2,708.5 million in project commitments for these projects.

Ensuring additionality requires greater transparency and predictability. Currently the Government only publishes additions to the International Assistance Envelope in its annual Budget, not actual levels of budget allocations to the different parts of the IAE. Basic transparency requires the publication of the annual IAE with major line items identified. In this context, it should also create a separate line item within the IAE for Canada's climate finance disbursements, which would provide a greater level of transparency in climate finance and its impact on other priorities for the IAE resources.

Loans and grants The G7 announcement pledges to increase the level of grants in Canada's climate finance to 40% from 30%. **Section 3.4, Table Five**, below, also estimates that Canada provided 70% of its $2.65 billion in loans. As pointed out, Canada is the third ranking donor (after Japan and France) for the share of loans in its climate finance up to 2019. (**Table Ten**) The very modest improvement in providing 40% of its new pledge as grants will still leave the majority of climate finance ($3.2 billion) as loans, up from $1.88 billion for the previous five years. It will leave Canada among the small minority of donors using loan finance as the main modality for delivering a large part of climate finance, contrary to the commitment made in the Paris Agreement.

The use of loans has serious implications for the net value of Canada's climate resource flows for developing countries. (See below on how Canada has used loans in its previous pledge.) The Paris Rulebook encourages providers to report concessional loans in relation to their grant equivalency (the difference between a loan at market terms and the concessional terms, taking account a risk premium for low income, lower middle income and upper middle income developing countries).[25] Where the Grant Equivalency (GE) is not able to be determined (e.g. loans to a MDB that then lend these resources to countries in different income groups), these are treated as "unconditional repayable contributions" (URC), with an agreed interest and repayment schedule, and any principal repayments from the MDB are to be deducted from Canada's climate finance for that year.

This modality adds a significant complication in understanding the impact of the $5.3 billion pledge on the IAE up to 2025/26. There may also be a small level of reflows from loans related to the $2.65 billion pledge in this period.[26]

[25] See the charts and video explanation of grant equivalency on the OECD DAC web site at https://public.tableau.com/views/Interactive_loans/Dashboard1?:embed=y&:showTabs=y&:display_count=no?&:showVizHome=no#3.

[26] In Canada's public accounts, sovereign loans and Unconditional Repayable Contributions (URCs) are reported separately as they have a different legal structure and authority than grants. The extensive use of loans for the $5.3 billion will likely also have implications for the IAE as only the grant equivalency (if known) for concessional loans and URCs will be fully expended against the IAE, not the face value. When the GE is not known, the full-face value of the loan or URC is accounted for in the IAE in the year that the loan is expended. In these cases, subsequent repayments of the principal, but not interest payments, are to be deducted as reflows in annual reports on these resources.

Nature-Based climate financing

The G7 announcement for Canada's $5.3 billion commitment makes particular reference to "increased funds for adaptation and biodiversity" in the context of this climate finance. As noted above, the scaling-up of "new and innovative rights-based, nature-based solutions" with significant partnerships with Indigenous Peoples emerged as a strong recommendation from the 2020 consultations.

Canada's climate announcement is in line with the 2021 G7's *Nature Compact*, which committed G7 countries to "working intensively towards increasing finance for nature from all sources [including international assistance] throughout the next five years: in particular, we commit to increase our finance contributions for nature-based solutions through to 2025."[27] The G7 commitment is an important signal for the finalization of a new *Global Biological Framework* expected to be adopted by the Parties to the United Nations Convention on Biological Diversity in Kunming, China early in 2022.[28]

Defining Nature-Based Solutions Nature-based solutions (NbS) in climate finance are driven by the inter-relationships between the climate emergency, rapid biodiversity loss, and rising poverty and inequality. (See **Annex Three** for a diagrammatic representation) The term is an overarching concept for a range of nature-based approaches including ecosystem-based adaptation and ecosystem-based mitigation, eco-disaster risk reduction and green infrastructure.[29] The definition of NbS by the International Union for the Conservation of Nature (IUCN) has been widely accepted: nature-based solutions are "actions to protect, sustainably manage, and restore natural or modified ecosystems, that address societal challenges effectively and adaptively, simultaneously providing human well-being and biodiversity benefits." The emphasis is on co-benefits, working to protect, sustainably manage, and restore natural and modified ecosystems that also address at the same time societal challenges, providing both human well-being and biodiversity benefits, consistent with cultural and societal values.[30]

In May 2021, the United Nations Environment Program (UNEP) published its first *State of Finance for Nature Report*.[31] This Report's in-depth discussion of NbS identifies the range of potential actions and activities that should be considered. It finds that approximately US$113 billion a year from all sources is currently being spent in a range of different areas, including developed countries. The largest share (86%) is being financed by national governments and other public funds in the protection of biodiversity and landscapes. It found that most of these resources were allocated to forest restoration, peatland

[27] See 2021 *G7 Nature Compact* 2B and 2C, accessed at https://www.g7uk.org/wp-content/uploads/2021/06/G7-2030-Nature-Compact-PDF-120KB-4-pages.pdf.

[28] See the Convention on Biological Diversity at https://www.cbd.int/conferences/post2020.

[29] Seddon N, Chausson A, Berry P, Girardin CAJ, Smith A, Turner B., "Understanding the value and limits of nature-based solutions to climate change and other global challenges." Philosophical Transactions of the Royal Society, Biology, March 2020, accessed August 2021 at http://dx.doi.org/10.1098/rstb.2019.0120.

[30] See ICUN, Nature Based Solutions, accessed at https://www.iucn.org/theme/nature-based-solutions.

[31] UNEP, *State of Finance for Nature*, May 2021, accessed August 2021 at https://www.unep.org/resources/state-finance-nature.

restoration, regenerative agriculture, water conservation and natural pollution control systems.

The *State of Finance for Nature* points to seven directions / principles that need to be kept in mind in advancing nature-based financing:[32]

a) NbS can be implemented alone or in an integrated manner with other solutions to societal challenges (such as technological and engineering solutions);

b) NbS are determined by site-specific natural and cultural contexts that include traditional, local and scientific knowledge;

c) NbS produce societal benefits in a fair and equitable way in a manner that promotes transparency and broad participation;

d) NbS maintain biological and cultural diversity and the ability of ecosystems to evolve over time;

e) NbS are applied at a landscape scale;

f) NbS recognize and address the trade-offs between the production of a few immediate economic benefits for development and future options for the production of the full range of ecosystem services; and

g) NbS are an integral part of the overall design of policies, and measures or actions, to address a specific challenge.

These principles are consistent with "success factors" recently reported by UK CSOs in implementing nature-based solutions in their programs (as identified in 13 case studies):[33] They found that nature-based approaches are effective when they adopt participatory approaches that ensure strong community ownership and engagement and advocate policies that can remove barriers and drive systemic change at large scales.

Together they point to the essential importance of financing with local partnerships, in which CSOs have considerable advantages. Local communities and Indigenous Peoples have a deep cultural and spiritual connection to their natural environments and depend on local ecosystems for their livelihoods. NbS must be sensitive to complex local realities affected by the mix of local climate impacts, nature landscapes and livelihoods of vulnerable and dependent populations, including systematic engagement with and leadership by Indigenous Peoples.[34]

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[32] UPEP, *op.cit*., page 12. They go on to say that NbS "Such solutions address the multifaceted environmental crises and broader societal challenges affecting humanity today, including climate change, biodiversity loss, land degradation, human health, migration, natural hazards and human induced disaster, food and water security and biochemical imbalances."

[33] Hou-Jones, X, Roe, D and Holland, E., *Nature-based Solutions in Action: Lessons from the Frontline*. Bond, July 2021, page 5, accessed August 2021 at https://www.bond.org.uk/resources/nature-based-solutions-in-action-lessons-from-the-frontline.

[34] DevEx Editor, "Why local and indigenous communities are vital to sustainable human development," Dev Ex, March 15, 2021, accessed August 2021 at https://www.devex.com/news/q-a-why-local-and-indigenous-communities-are-vital-to-sustainable-human-development-99353. See the seven recommendations highlighted from Bond's 13 case studies in Hou-Jones, op. cit., page 6.

The literature also highlights significant risks and challenges associated with some current practice in NbS.[35] These include maladaptation to climate risks and "greenwashing" through non-native monoculture afforestation, reforestation threats to food security encroach on the land needed for crops to feed a growing population, or conservation initiatives that negate the rights and livelihoods of local communities.[36] Global Witness has documented 227 "environmental defenders" killed for protecting natural resources that need to be preserved, including forests, water supplies and oceans. They calculate that four defenders have been killed on average each week since the signing of the Paris Agreement in 2015.[37]

Financing Nature-Based Solutions The UNEP *State of Finance for Nature Report* describes the complexity of determining both targets for nature-based solutions and for assessing current financing. This *Report* takes a broad and sector-inclusive approach to determining NbS financing. While they measure this financing beyond ODA, they also use the DAC sector codes. As there are no specific DAC codes for NbS, they employ multipliers against existing DAC sectors codes as scaling factors, deriving these scales from existing literature and sectoral guidance from OECD, to determine an approximation of the volume of investment within each sector that could be defined as NbS (See **Annex Three**, DAC Sector Codes for determining Nature-Based Finance). The relative share of these codes is based on a macro assessment of scales; the use of this methodology can only be a crude approximation of scale at the individual donor level as it does not ensure the resulting total is actual financing for nature-based solutions.

Using the UNEP methodology (see **Annex Three**), the DAC donors directed about US$3.3 billion towards Nature-Based Solutions in 2019 (2.8% of sector-allocated DAC donors' gross disbursements), with Canada deploying US$70.3 million (2.2% of Canada's sector-allocated gross disbursements).

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[35] For an excellent list of challenges see Box Two, page 11, in Hou-Jones, X, Roe, D and Holland, E., *Nature-based Solutions in Action: Lessons from the Frontline*. Bond, July 2021, page 5, accessed August 2021 at https://www.bond.org.uk/resources/nature-based-solutions-in-action-lessons-from-the-frontline.

[36] Seddon et al., op.cit.; Oxford University, "Getting the message right on nature based solutions to climate change," Blog, February 1,2021, accessed at https://phys.org/news/2021-02-message-nature-based-solutions-climate.html; Oxfam, Tightening the net: Net zero climate targets implications for land and food equity, August 2021, accessed at https://policy-practice.oxfam.org/resources/tightening-the-net-net-zero-climate-targets-implications-for-land-and-food-equ-621205/; Oliver Scanlan, "When Donors Collide: What implications for aid accountability, effectiveness and strategy," Oxfam UK, FP2P, May 10, 2021, access August 2021 at https://oxfamapps.org/fp2p/when-donors-collide-what-implications-for-aid-accountability-effectiveness-and-strategy/; Tiina Vähänen and Moctar Sacande (FAO), "Beyond Planting Trees: Let communities lead restoration," IISD, June 16, 2021, accessed at https://sdg.iisd.org/commentary/guest-articles/beyond-planting-trees-let-communities-lead-restoration/; Lisa Schipper et al, "Why avoiding climate change 'maladaptation' is vital," Carbon Brief Blog, February 10, 2021, accessed at https://www.carbonbrief.org/guest-post-why-avoiding-climate-change-maladaptation-is-vital; and Eriksen, S. et al. "Adaptation interventions and their effect on vulnerability in developing countries: Help, hindrance or irrelevance?," World Development, Vol 141, May 2021, accessed at https://www.sciencedirect.com/science/article/pii/S0305750X20305118.

[37] Claire Marshall, "Record number of environmental activists murdered," BBC, September 13, 2021, accessed at https://www.bbc.com/news/science-environment-58508001.

The DAC also collects donor ODA data for a specific "biodiversity" purpose marker.[38] The marker is similar to the Rio climate markers. It is distinct from the DAC sector code for biodiversity projects and allows the identification of projects in other relevant sectors. This biodiversity marker can be used to assess a narrower set of activities (than the UNEP methodology) that should relate to Nature-based Solutions.

Using this marker for DAC gross disbursements in 2019, US$3.5 billion were projects in which biodiversity was an explicit objective, but only one among other objectives. Consistent with the practice of discounting significant purpose disbursements to 30%, approximately US$1.1 billion may be allocated to biodiversity objectives in these projects. A further US$2.4 billion (or 2% of total gross disbursements) were DAC member projects in which biodiversity was the principal objective. In these DAC statistics for 2019, Canada's allocations relating to the biodiversity marker were negligible. It disbursed less than 1% to projects where biodiversity was one of several objectives (US$11.1 million in total project disbursements or US$3.3 million discounted to 30%) and a mere US$960 thousand to projects where biodiversity is the principal objective.

Canada also publishes data in GAC's Historical Projects Data Set (HPDS) using the DAC biodiversity marker. Table One in **Annex Four** summarizes the data for 2019/20 disbursements from the HPDS (all in Canadian dollars) and compares these disbursements to Canada's climate finance for that year.

Consistent with the DAC data, only 2% of disbursements in 2019/20 were directed to biodiversity purposes.[39] However, these disbursements were 11% of climate adaptation and 32% of climate mitigation disbursements. Overall, biodiversity made up almost a quarter (23%) of climate finance in 2019/20. The quality of this data however can be questioned. Only two projects were responsible for all the biodiversity principal purpose marker – a "Joint Pacific Initiative" with $1.2 million in disbursements for adaptation, and the full amount of the "Seventh Replenishment for the Global Environment Facility" with $54.8 million in disbursements for mitigation. While the GEF does provide significant resources for biodiversity, it is likely not the principal purpose for 100% of this replenishment.

The HPDS also identifies "Indigenous Issues" in another marker that is unique to Canada (**Annex Four**, Table One). **Annex Four** also provides a list of projects where it is indicated that "Indigenous Issues" are the principal focus of these projects. Interestingly, Indigenous Issues are said to inform 44% of projects with a biodiversity marker, but all these projects were those with Indigenous Issues, marked significant purpose, not principal purpose. Currently there are very few projects in partnership with, and under the leadership of, Indigenous Peoples' organizations. Three projects (Gender Equality Education and Skills

[38] OECD DAC, OECD DAC Rio Markers for Climate: Handbook, nd, accessed at https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf and Hani Petri, "Short guide to the use of Rio Markers," June 3, 2021, European Commission, accessed at https://europa.eu/capacity4dev/public-environment-climate/wiki/short-guide-use-rio-markers.

[39] Similar to climate finance, Biodiversity and Indigenous Issues significant purpose disbursements were adjusted to 30% of total project disbursements, as these objectives are only one among several project objectives.

Program in the Chittagong Hill Tracts, Leading for Peace: Supporting the Rights of Children and Youth in Colombia, and Women's Rights and Gender-Sensitive Justice in Guatemala) made up 93% of the $7.3 million in disbursements for principal purpose Indigenous Issues. There were no principal purpose Indigenous Issues projects that were also marked with a biodiversity and/or climate purpose. (See Table Three, **Annex Four**)

Loss and Damage

Canada must ramp up its adaptation finance in allocating the $5.3 billion pledge over the next five years. But with increasing climate change impacts, adaptation is not nearly sufficient in the face of both catastrophic events - major intense weather events such as hurricanes, floods, drought, or massive wildfires – but also slow onset impacts such as rising sea levels or ocean acidification. These will be well beyond the ability of many communities and countries to manage and cope.

These impacts are what is called climate-induced "losses and damages", which is seen to be distinct from the actions needed to maximize adaptation and resilience. For many people, particularly in vulnerable developing countries, there are some elements of the climate crisis from which they cannot easily adapt and recover. Bearing little responsibility for decades of greenhouse gas emission, "loss and damages" by some are considered euphemisms for "liability" and "compensation".[40]

Loss and damages negotiations have been highly contentious at UNFCCC COP meetings in both determining the scope of loss and damages from climate change and in addressing financing from a fairness and equity lens. Who should pay for loss and damages associated with climate change?

A Warsaw International Mechanism for Loss and Damages was established in 2013 at COP19 and integrated into the Paris Agreement (Article 8), creating the political legitimacy for future negotiations. But this Mechanism does not address the question of additional financing for loss and damages demanded by developing countries. The question of finance is a politically charged topic, particularly for LDCs and SIDS. Parties were deadlocked at the last COP25 in Madrid in 2019 and progress on this agenda will be coming back to COP26 in Glasgow in November 2021. It has not been determined how countries may be prioritized for loss and damages finance. It also continues to be a challenge in distinguishing loss and damages finance within existing finance for humanitarian assistance and for adaptation and development.[41]

[40] Listen to the discussion on loss and damage with experts from Solomon Islands and Bangladesh in IIED's podcast, Loss and damage – recognising the costs of climate change: Make Change Happen podcast episode 10, March 2, 2021, accessed at https://www.iied.org/loss-damage-recognising-costs-climate-change-make-change-happen-podcast-episode-10 and Grantham Research Institute, London School of Economics, "What is Climate Change 'Loss and Damage'?," Explainer, January 13, 2021, accessed at https://www.lse.ac.uk/granthaminstitute/explainers/what-is-climate-change-loss-and-damage/.

[41] See Table 1 page 9 in See Pandit Chhetri, R., Schaefer, L. and Watson, C. *Exploring loss and damage finance and its place in the Global Stocktake*, 2021, accessed September 2021 at https://odi.org/en/publications/exploring-loss-and-damage-finance-and-its-place-in-the-global-stocktake/.

In the lead up to COP26, Least Developed Countries have called for 1) the establishment of "loss and damages" as a permanent standalone agenda item under the UNFCCC, 2) the appointment of a special COP26 loss and damage envoy to mobilize and enhance political will, and 3) the provision of adequate loss and damage financing as well as operational technical assistance to developing countries through the Santiago Network on Loss and Damage.[42]

Currently there are no formal processes for systematically tracking and reporting information on loss and damages and related financial needs by countries, either by developed or developing countries, collectively or individually.[43] Developing countries have intentionally situated the discussion of loss and damages outside the negotiated commitment to mobilize US$100 billion in climate finance up to 2025. Much of the focus for providers has been on managing financial risks at the regional and country level as well as various forms of insurance and contingency funds, particularly in the agriculture sector. Little attention has been paid to non-economic losses (vulnerable people in developing countries are five times more likely to die in a weather event than those in developed countries) and loss and damage from slow onset climate change. Most of this provider finance has been disbursed within allocations for adaptation, not additional to adaptation commitments.

The OECD DAC developed a "Disaster Risk Reduction" (DRR) code that has been implemented for 2019 DAC data and is also represented in the HPDS for 2019/20 project disbursement data.[44] The objective for this new marker is to track DAC aid resources targeting the objectives of the *Sendai Framework for Disaster Risk Reduction*, which in turn seeks to achieve substantial reduction of disaster risk and losses in lives, livelihoods and health in the economic, physical, social, cultural and environmental assets of persons, businesses, communities and countries.[45] It has potential relevance for tracking finance for loss and damages from climate impacts, but does not address the question of additionality sought by developing countries.

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[42] See PowerShift Africa, COP26, Delivering the Paris Agenda: A Five-Point Plan for Solidarity, Fairness and Prosperity, July 2021, (supported by the Africa Group, the Climate Vulnerable Forum, Least Developed Countries, and the Alliance of Small Island States), accessed September 2021 at https://sdg.iisd.org/news/developing-country-blocs-issue-position-paper-ahead-of-cop-26/. On the Santiago Network on Loss and Damage access https://sdg.iisd.org/news/unfccc-launches-website-to-mobilize-santiago-network-on-loss-and-damage/ and https://unfccc.int/santiago-network.

[43] See Pandit Chhetri, op.cit., and a forthcoming study from the OECD on climate change and loss and damages, and particularly Chapter Five on the impacts of climate change on countries fiscal stability, disaster risk financing mechanisms and the role international finance can play. See also Thomas Hirsch, *Climate Finance for Addressing Loss and Damage, How to Mobilize Support for Developing Countries to Tackle Loss and Damage*, ACT Alliance, November 2019, accessed September 2021 at https://www.lutheranworld.org/content/resource-climate-finance-addressing-loss-and-damage.

[44] For a description of this Disaster Risk Reduction purpose marker see DAC Working Party on Development Finance Statistics, "Revision of the Reporting Directives, Sections relating to the approved SDG focus field and changes to policy markers and types of aid," November 14, 2018, DCD/DAC/STAT(2018)52, accessed September 2021 at https://one.oecd.org/document/DCD/DAC/STAT(2018)52/en/pdf.

[45] See "What is the Sendai Framework for Disaster Risk Reduction?" United Nations Office for Disaster Risk Reduction, accessed September 2021 at https://www.undrr.org/implementing-sendai-framework/what-sendai-framework.

Examining Canada's HPDS data for 2019/20 disbursements, $77.2 million were marked principal purpose Disaster Risk Reduction in that year, of which almost $76 million were related to activities with a climate finance purpose. (**Table One**) The latter amount was evenly divided between adaptation and mitigation (likely due to projects that were marked both adaptation and mitigation with the climate Rio markers). DRR activities (including significant purpose DRR) made up 17% of principal purpose climate finance disbursements in that year.

Table One: An Indicator for Loss and Damage Finance:
GAC Disbursements Marked "Disaster Risk Reduction" (DRR)

Historical Projects Data Set, 2019/20 Disbursements, Principal Purpose Climate Finance Only

Millions of Canadian Dollars

	2019/20 Adaptation	2019/20 Mitigation	2019/20 Climate Finance	2019/20 Total GAC Disbursements
No DRR Objective	$196.8	$ 254.9	$ 451.7	$4,601.3
DRR Significant Purpose*	$ 6.9	$9.1	$16.0	$30.0
DRR Principal Purpose	$38.9	$36.9	$75.8	$77.2
Total DRR	**$45.8**	**$46.0**	**$91.8**	**$107.2**
DRR Share	**19%**	**15%**	**17%**	**2.3%**

* DRR significant purpose disbursements have been discounted to 30% of project disbursements.

It is not possible to accurately demonstrate the degree to which loss and damages is covered by DRR, although it seems likely that most DRR that falls under climate finance is related to loss and damages from climate events and slow onset climate change.

Reviewing the project portfolio for the $2.65 billion pledge (**Annex Five**), $101.8 million in project commitments can be easily categorized as loss and damages allocations (mainly for various forms of insurance). These allocations make up about 28% of climate projects dedicated to adaptation, but do not include any allocations relating to the MDBs or multilateral funds such as the Green Climate Fund.

An important country context for loss and damages initiatives is the absence of basic social protection for most of the world's population. According to the International Labour Organization (ILO), 53% of the world's population, or up to 4.1 billion people, have no protection at all, such as access to health care and income security, for example in cases of unemployment, inability to work, old age and for families with children. In Asia and the Pacific as well as the Arab States, just under half of people have access to at least one benefit, while in Africa, the rate is 17%. These conditions have been compounded by the impacts of the pandemic in many countries. Developing countries would require an additional investment of US$1.2 billion annually to guarantee at least basic social protection coverage. Meanwhile developed countries spend on average 16.4% of GDP on social protection, while low-income countries spend only 1.1%.[46]

For Canada, finance for loss and damages has not been considered additional to its existing climate finance

[46] International Labour Organization, *World Social Protection Report, 2021-22,* September 2021, accessed at https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_817572.pdf

commitments. It is already deeply embedded in Canada's climate finance portfolio for the $2.65 billion pledge, almost exclusively as adaptation, and is expected to form a significant part of the $5.3 billion pledge. Given current inaction on climate change, the immediate impacts on developing countries are likely to increase the need for loss and damages finance. Canada should contribute to UNFCCC discussions that augment support for loss and damages beyond its current finance pledge.

3. An Overview of Canada's $2.65 billion Commitment for International Climate Finance (2016 to 2020)

Canadian CSOs have been consistent in setting forth a policy framework that should guide Canada's post-2020 climate finance (see **Section 2.2**). While calling for Canada to provide its fair share in climate finance, over and above current ODA allocations, and to support pathways for low greenhouse gas emissions, this civil society roadmap also advocated fully meeting our existing climate commitments, giving priority to adaptation, targeting the most vulnerable countries and people, emphasizing gender equality and women's empowerment in climate action, and establishing an appropriate balance in financing modalities.

The following sections of this Report analyze in detail what has been achieve in realizing Canada's previous five-year commitment of $2.65 billion in climate finance.[47] It sets out the challenges in allocating these resources against this policy framework, Canada's performance relative to other donors, and the full portfolio of climate finance beyond the $2.65 billion commitment. These reflections and lessons from the experience of the past five years should inform the allocation of the $5.3 billion new climate pledge.

3.1 Has the commitment been met?

Meeting the $2.65 billion commitment – Key Points

1. **Canada exceeded its 2015 five-year $2.65 billion pledge by $57 million, with $2.7 billion in multi-year project commitments for principal purpose climate finance projects.**
2. **ECCC and GAC focus on disbursements in determining whether Canada met its pledge. Accordingly, $2.54 billion in disbursements in principal purpose climate finance projects were made since November 2015, $114.3 million short of the $2.65 billion pledge. For ECCC/GAC, this latter amount ($114.3 million) is covered by bringing into the pledge significant purpose climate projects (where climate objectives are one among others for the project), which were approved before November 2015, but with these disbursements after that date.**
3. **This Report proposes that principal purpose climate commitments should be the metric to measure the achievement of the $2.65 billion pledge as disbursements can take place over several years (particularly for projects made in the final years of the pledge).**
4. **While there is no reason to suggest otherwise, there is not yet data to demonstrate that Canada met its related commitment to disburse $800 million in climate finance in 2020/21.**

[47] Note: This Report uses a different methodology and data sources in determining Canada's total climate finance and its fair share of the US$100 billion UNFCCC commitment than the Government of Canada.

The commitment to deliver $2.65 billion in climate finance by March 31, 2021, was made by Prime Minister Trudeau in November 2015 at the time of the 2015 COP 21 Paris Agreement. This five-year commitment was accompanied by the pledge also to scale up climate finance disbursements to $800 million by the 2020/21 fiscal year.[48]

It is now possible to assess whether Canada has realized its 2015 five-year $2.65 billion pledge. (**Table Two, Chart One** and the list of projects in **Annex Five**[49]) However, there are several different approaches to determining whether this pledge has been fulfilled – by disbursements or by commitments.

According to a list of projects provided by ECCC/Global Affairs Canada relating to this commitment,[50] there have been disbursements totaling $2,540 million for projects whose principal purpose is climate finance (i.e. $110 million short of the target). (**Table Two, Column 1**) This approach falls short by $110 million in disbursements.

Table Two: Approaches to Determining whether Canada Achieved the $2.650 Billion Commitment
(Millions of Canadian Dollars of project disbursements / commitments)

Millions Cdn Dollars	**(1) Principal Purpose Projects Only, Disbursements**	**(2) ECCC / Global Affairs Approach, Disbursements**	**(3) Principal Purpose Projects, Commitments**
Mitigation Principal	$853.1	$853.1	$878.2
Adaptation Principal	$201.5	$201.5	$324.9
Mitigation/Adaptation Principal	$1,485.4	$1,485.4	$1,495.1
Approved, Not Announced			$10.3
Mitigation Significant*		$14.6	
Adaptation Significant*		$86.0	
Mitigation/Adaptation Significant*		$13.7	
Total	**$2,540.0**	**$2,654.3**	**$2,708.5**
Surplus / Deficit	**($110.0)**	**$4.3**	**$58.5**

* Only Significant Purpose projects, initiated before November 2015, but with disbursements after November 2015, are included at 30% of total disbursements.

[48] Government of Canada, 2015. "Prime Minister announces investment in Global Climate Change Action," Press Release, November 27, 2015, accessed August 2021 at http://pm.gc.ca/eng/news/2015/11/27/prime-minister-announces-investment-global-climate-change-action and http://pm.gc.ca/eng/news/2015/11/27/canadas-climate-finance-commitment.

[49] Disbursements in Annex One total $1,897.5 million. This amount differs from $2,504 million in Table One (Column 1) as disbursements for seven Canadian Funds at Multilateral Development Banks have been adjusted in Annex One, where actual disbursements to final project implementers are known as set out in Annex Two.

[50] See the list of projects on the ECCC International Climate Finance announcements page (https://www.canada.ca/en/services/environment/weather/climatechange/canada-international-action/climate-finance/announcements.html), with details on the projects browser at https://climate-change.canada.ca/finance/Default.aspx.

GAC/ECCC adjusts the approach using disbursements by including $114.3 million in disbursements for significant purpose climate projects, approved prior to November 2015, but with disbursements after that date. No significant purpose project approved after 2015 is included the GAC/ECCC calculation. (**Table Two, Column 2)** Significant purpose projects are those where climate adaptation and/or mitigation is not the main purpose of the project and is only one of several other objectives. With this addition, Canada disbursed $2,654.3 million in climate finance, meeting the $2.65 billion target through disbursements during this five-year commitment period. The rationale for including the earlier significant purpose projects, but not these projects initiated after November 2015, relates to "program transition between governments" whereby the overall commitment in its first conceptualization was to include significant purpose projects at a proportion (30%) of their disbursements.[51]

An alternative approach that focuses only on commitments and principal purpose climate projects shows that Canada has actually exceeded the its target by $56.5 million. The *Reality of Canadian International Climate Finance* takes into account principal purpose climate projects only. (**Table Two, Column 3**) Mainstreaming climate objectives (significant purpose projects) in all of Canada's development cooperation is now essential for effective development outcomes, but is distinct from climate finance pledges. This alternative approach is closer to the intention of the US$100 billion provider commitment that was originally made in 2009 in Copenhagen (COP 15) and then reiterated at the 2015 Paris COP 21. Considering only principal purpose projects is also the practice of CSO global analyses of provider climate finance for the US$100 billion pledge.[52]

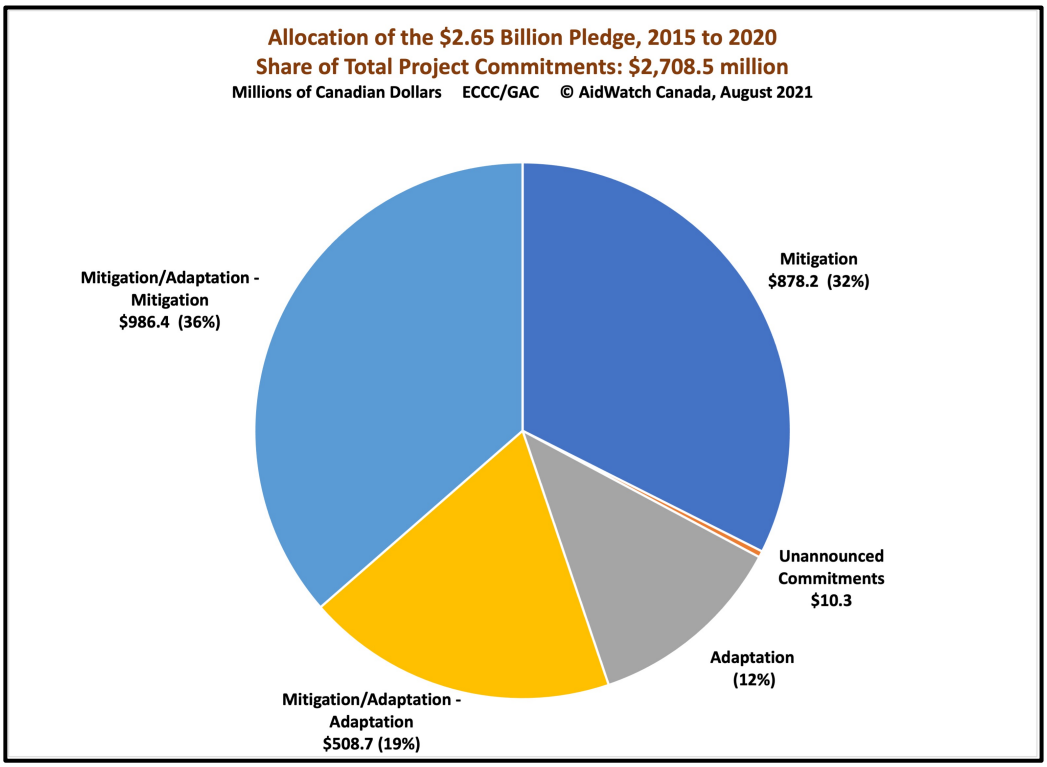
Collating all (multi-year) project commitments for principal purpose projects listed by ECCC/Global Affairs results in a total of $2,708.5 million, including $10.3 million in commitments made in 2020/21, but not yet public. Canada exceeds its 2015 pledge by $56.5 million.

In examining the detail of projects allocated for the $2.65 billion commitment, this report uses the commitment basis ($2,708.5 million) for tracking trends. As GAC will not report on its 2020/21 ODA disbursements (including climate finance projects that qualify as ODA) until April 2022, it is not possible to determine whether $800 million in climate finance disbursements were made in 2020/21. More up-to-date detail on Canada's climate finance, beyond the $2.65 billion commitment, will also be available with the publication of Canada's Fifth biennial report to the UNFCCC, likely in January / February 2022.

[51] Communications from ECCC.

[52] See Oxfam International, *Climate Finance Shadow Report 2020, Assessing progress towards the $100 billion commitment*, prepared by Tracy Carty, Jan Kowalzig, and Bertram Zagema, October 2020, accessible at https://www.oxfam.org/en/research/climate-finance-shadow-report-2020. Providers are allowed under the Paris Rulebook to report significant purpose project allocations as climate finance in the biennial reports to the UNFCCC.

Chart One: Allocation of $2.65 Billion Pledge by Project Commitments, 2015/16 to 2020/21



* Projects marked both Mitigation and Adaptation projects are divided 50%/50% (light blue and yellow), but amounts differ ($986.4 and $508.7) from this formula because actual project disbursements are taken into account for MDB special Canada funds when known to determine adaptation share.

3.2 How much of the $2.65 billion commitment has been disbursed to final project implementors?

Disbursements for the $2.65 billion pledge to final project implementors – Key Points

1. **Approximately 53% of project commitments with known disbursements have yet to be disbursed to final project implementors.**
2. **For the six special Canadian trust funds at the MDBs, only 32% of these funds have been disbursed (with two of these funds only established in the final years of the pledge).**

Canada has said that it has disbursed almost all of its pledge (96%). But actual analysis demonstrates that out of commitments for which disbursements are known ($2,305.2 million), 53% of these commitments have yet to be received by the final project implementor, as of July 2021.

The ECCC/GAC treats a commitment as disbursed once it has been disbursed out of the Government of Canada's accounts. Some recently approved projects have not had time to fully disburse their committed budget from Canada's accounts. For these projects, an estimated $167 million remains to fully disburse the commitment.

However, not all climate investments that GAC/ECCC report as "technically" disbursed from Canada's

accounts are actually disbursed to final project implementors. Major initiatives such as the Green Climate Fund, IFAD, or special Canadian initiatives at Multilateral Development Banks, have established their own disbursement patterns to final recipients. For some of these initiatives it is possible to estimate the amount that has been disbursed for project implementation. (**Table Three**)

In fact, for the six special Canadian trust funds at the MDBs ($1,365.5 million in commitments), only just over half of these commitments ($435.6 million or 32%) have been allocated to final project implementors. Several of these special funds were initiated in the final years of the pledge and have only begun to disburse funds to projects. There are also two initiatives that were only recently approved for which there are no published disbursements to final implementors (Canada-World Bank Clean Energy and Forest Climate Facility (December 2020) and the Canada Africa Development Bank Climate Fund (March 2021). Understanding how fast these funds are truly disbursed is critical if Canada wants to facilitate access of its climate finance to developing countries.

Table Three: Estimated Disbursements of $2.65 billion Commitment to Final Project Implementors

Commitment Basis, Millions of Canadian Dollars

Funding Channels	Amount Committed	Amount Disbursed (July 2021)	Amounts to be Disbursed	Share to be Disbursed, from Commitments with Known Disbursements
Six Multilateral Development Bank (MDB) Canada Funds*	$1,365.5	$435.6	$929.9	68%
Green Climate Fund (65% Disbursed)	$350.0	$227.5	$122.5	35%
Undisbursed from Government of Canada Accounts for other Projects	$589.7	$421.1	$168.6	29%
Total Disbursed / Undisbursed from known Commitments		**$1,084.2**	**$1,221.0**	**53%**
Commitments with Known Disbursements	**$2,305.2**	85% to Total Commitments		
Commitments with Unknown Disbursements:	**$403.3**			
IFAD Loans and Grants	$393.0			Unknown
Unannounced Projects	$10.3			Unknown
Total Commitments	**$2,708.5**			

Sources: ECCC Climate Finance Browser, GAC Project Browser, Green Climate Fund information on total disbursements.

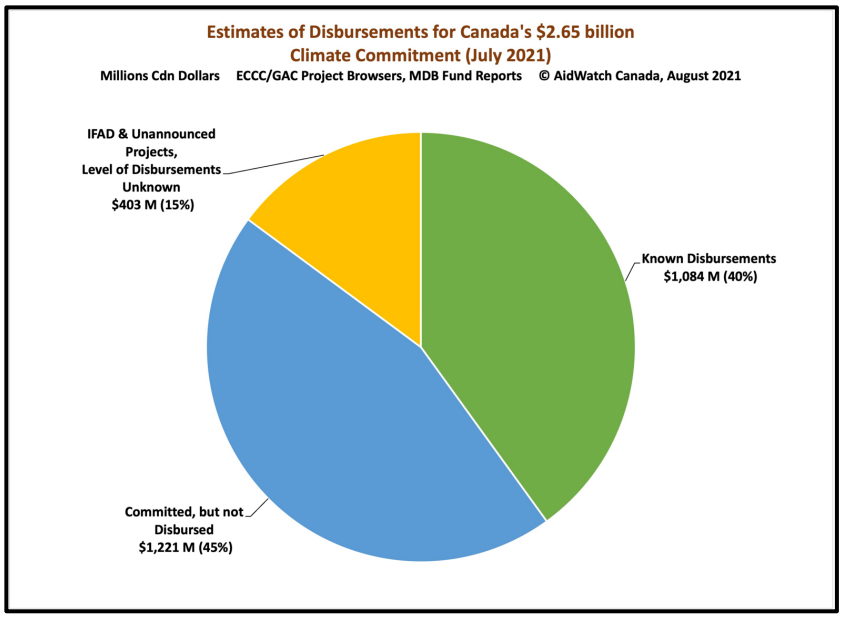
* The Canada Funds at the MDB with known project commitments (July 2021) are calculated at an average US exchange rate of Cdn$1.25. Allocations from these Funds are US$348.4 million, equal to Cdn$435.6. See Annex Two for details. Two special Canadian funds at the World Bank and at the Africa Development Bank with $542.5 million commitments were only created in December 2020 and March 2021 respectively and had zero disbursements. Other projects managed through MDBs are calculated from the information available in the Project Browser.

The Green Climate Fund estimates its rate for disbursements at 65% of committed funds, leaving $123 million of Canada's $350 commitment to be disbursed. There is a large loan / grant to IFAD ($393 million)

for which there is no disbursement information on final implementors.

Considering only commitments for which disbursements are known or estimated ($2,305.2 million), 53% of these commitments have yet to be received by final project implementers, as of July 2021. (**Table Three**) If the IFAD loans and grants are considered fully disbursed, then 55% of project commitments have been disbursed (**Chart Two** and **Annex Five**). The MDB Canada funds have very significant delays in allocating their resources, which should be considered when determining their role in the $5.3 billion pledge.

Chart Two: Estimated actual disbursements for the $2.65B Commitment (July 2021)



3.3 How much of the $2.65 Billion commitment has been allocated to adaptation and mitigation?

Allocating the $2.65 billion pledge to adaptation and mitigation – Key Points

1. **Just under a third (31%) of the $2.65 billion pledge has been dedicated to climate adaptation.**
2. **Only 15% of Canada's support for initiatives through the Multilateral Development Banks are related to adaptation.**
3. **The Green Climate Fund has allocated about 33% of its actual project commitments to adaptation (up to July 2021).**

The *Paris Agreement* calls for "the provision of scaled-up financial resources [which] should aim to achieve a balance between adaptation and mitigation, taking into account country-driven strategies, and the priorities and needs of developing country Parties, … considering the need for public and grant-based resources for adaptation." [Article 9, 4] Civil society organizations (CSOs), alongside least developed and

low- income countries, have long advocated that at least 50% of climate finance be devoted to adaptation purposes.

The Global Commission on Adaptation, led by former Secretary General Ban-ki-moon, Bill Gates and Kristalina Georgieva, CEO, World Bank, launched *Adapt Now: A Global Call for Leadership on Climate Resilience* in September 2019, with an urgent call to ramp up adaptation finance. The UNEP's A*daptation Gap Report 2020* puts the annual adaptation costs in developing countries currently at $70 billion, which is expected to reach $140 to $300 billion by 2030 and $280 to $500 billion by 2050. While there have been some modest improvements in recent years, the adaptation gap is far from narrowing to reach these targets.[53] This gap is evident in Canada's allocations of its climate finance. (**Table Four and Annex Five**)

Table Four: $2.65 billion Commitment: Adaptation and Mitigation Allocations

Project Commitments, Million of Canadian Dollars

Channels	Adaptation*	Adaptation Share	Mitigation*
Multilateral Organizations	$473.44	47%	$533.02
Multilateral Development Banks	$217.46	15%	$1,238.44
Bilateral / Other Channels	$142.68	60%	$93.18
Total	**$833.58**	**31%**	**$1,864.64**

* Projects coded adaptation/mitigation have been divided 50/50, except for Canadian trust funds at Multilateral Development Banks where actual project disbursements, when know, are used to determine the adaptation/mitigation share.

Just under a third (31%) of Canada's $2.54 billion commitment has been dedicated to climate adaptation purposes. The very large proportion to mitigation has been mainly driven by the creation of special Canadian trust funds at the World Bank / International Finance Corporation (IFC) and Regional Development Banks, with the largest funds dedicated to engaging the private sector in climate mitigation investments. Only 15% of Canada's support for initiatives through the Multilateral Development Banks related to adaptation. While Canada's $350 million contribution to the Green Climate Fund (GCF) is allocated 33% to adaptation (based on actual GCF project commitments up to July 2021),[54] a higher proportion of investments in other multilateral initiatives were dedicated to adaptation. Without a doubt, the most significant balance between adaptation and mitigation projects come from bilateral ones. While they represent just a small proportion of the overall commitment, the allocation for adaptation projects totals 60% of these funds.

[53] United Nations Environment Program, *Adaptation Gap Report 2020,* Nairobi, 2021, page XIV, accessed July 2021 at https://www.unep.org/resources/adaptation-gap-report-2020.

[54] See more details on the Green Climate Fund in **Annex Twelve**.

3.4 What is the extent of loans in Canada's climate finance commitment?

Loans in Canada's Climate Pledge – Key Points

1. **Close to three-quarters (70%) of Canada's $2.65 billion climate pledge was delivered as loan finance.**
2. **Only 16% of loan finance ($310 million) was dedicated to adaptation purposes.**

Close to three-quarters (70%) of Canada's $2.65 billion commitments were provided as loan finance or refundable grants. (**Table Five**) With current information, it is not possible to calculate the grant equivalency of these loans (i.e. their concessionality). But for example, the Green Climate Fund reports that Canada's US$82.7 million loan in its first replenishment to the Fund had a grant equivalency of only US$13 million (16%). Out of 30 countries pledging in this replenishment, France was the only other donor that provided a loan (US$349.1 million with a grant equivalency of US$86.8 million).[55]

Table Five: Loans and Grants in Canada's $2.65 billion Commitment

Principal Purpose Project Commitments, Million of Canadian Dollars ($10.3 million unknown)

	Loans	Share in Loans	Grants	Share in Grants
Multilateral Organizations	$521.4	50%	$518.57	50%
Multilateral Development Banks	$1,356.4	93%	$99.5	7%
Bilateral / Other Channels	--	0%	$202.26	100%
Total	**$1,877.8**	**70%**	**$820.33**	**30%**

Overall, within the $2.65 billion commitments, only 16% of loan finance ($310 million) was dedicated to adaptation purposes, with much of this amount accounted for by loans to the Green Climate Fund, the UN Convention to Combat Desertification (UNCCD), and IFAD. While a relatively small share, it is worrying that these institutions are using loans for any of their adaptation projects.

Section 10 highlights Canada among seven donors that have made loans a significant part of their climate finance. Based on OECD DAC data Canada ranks third highest in the share of loans in its climate finance.

3.5 What is the regional allocation of $2.65 billion commitment?

Given Canada's high levels of support for climate finance through multilateral organizations, 59% of the $2.65 billion commitment was allocated at the global level (with country distribution unknown). (**Table Six**) Taking account of known projects in Canada's trust funds at the MDBs, there is a relatively equal allocation among Africa, Latin America, and Asia (at 11% to 10% each) for which country/regional allocations are known. The Caribbean and the Pacific regions received 4% and 1% respectively. It should

[55] See Green Climate Fund, "Status of Pledges for the GCF first replenishment (GCF-1) as at 31 July 2020," accessed August 2021 at https://www.greenclimate.fund/document/status-pledges-and-contributions-made-green-climate-fund-gcf1.

be noted that it is likely that a significant proportion of projects that are global or have unknown country allocations are in fact allocated to countries for final implementation.

Table Six: Geographic Allocation of the $2.65 billion Commitment

Project Commitments, Million of Canadian Dollars ($10.3 million unannounced)

Region	Amount	Share
Global	$1,596.6	59%
Latin America	$299.8	11%
Africa	$278.5	10%
Asia	$257.1	10%
Caribbean	$112.5	4%
Pacific	$14.4	1%
Unknown	$139.4	5%
Total	**$2,698.2**	

3.6 What is the allocation of the $2.65 billion commitment to Least Developed Countries and other developing country income groups?

Allocations to LDCs in Canada's Climate Pledge – Key Points

1. **Among the climate finance that can be identified by income group, $377 million went to Least Developed Countries, or 14% of the total allocation. More than half (54%) were dedicated to global / regional initiatives.**

Since large allocations are made to regional and global initiatives, it is possible to allocate only 46% of the total commitment by income group. (**Table Seven**) Within resources allocated to income groups, Upper Middle-Income Countries has a slightly larger share, due in part to the strong emphasis on mitigation in Canada's climate finance. Low Income and Least Developed Countries receive the smallest share of this climate finance. These proportions need to be interpreted with caution given the very large amount whose country allocation is unknown (54%).

Table Seven: Allocation of the $2.65 billion Commitment to Income Groups

Project Commitments, Million of Canadian Dollars ($10.3 million unannounced)

Income Group	Amount	Share
Low Income / Least Developed Countries	$376.5	14%
Lower Middle-Income Countries	$422.9	16%
Upper Middle-Income Countries	$437.4	16%
Global / Regional /Unknown	$1,461.5	54%
Total	**$2,698.2**	

Note: Where project disbursements are known, MDB trust fund commitments are allocated according to these project disbursements. The Canadian commitment to the Green Climate Fund is allocated based on the income group allocation for all GCF project commitments.

4. Canadian International Climate Finance Disbursements, 2015/16 to 2019/20[56]

4.1 Is Canada on a path to meet its commitment to $800 million disbursements in 2020?

Trends in Canada's Climate Finance Disbursements – Key Points

1. **While very likely, it is not possible to say if Canada reached a disbursement of $800 million in climate finance in 2020/21 as committed by the Prime Minister is 2015 (due to lack of data for 2020/21).**
2. **In 2019/20 a total of $543 million in climate finance was disbursed. The trend towards achieving the $800 million 2015 pledge in climate finance disbursements by 2020/21 remains to be seen in data to be published in 2022.**
3. **Annual disbursements vary by year. But it is worrying that in 2018/19 and 2019/20 these disbursements have not increased, with principal purpose climate finance disbursements declining by 12%.**

The global $100 billion pledge is to be achieved annually by 2020, meaning that Canada has committed to delivering climate finance annually, even if it has a multi-year pledge. While we know that Canada has exceeded its first climate finance pledge, it's also important to evaluate how much Canada is providing to developing countries annually and if its contribution increases from one year to the next. However, as shown below, Canada's annual climate finance disbursements in 2019/2020 (the last year for data) was slightly less than in 2018/2019. This is a worrying sign that indicates a lack of consistency in annual disbursements.

To examine total disbursements for climate finance the paper looks at disbursements that have been recorded in GAC's Historical Projects Dataset (HPDS) for international assistance projects, using the DAC Rio Markers for climate adaptation and mitigation.[57] While there is a strong correlation with projects approved for the $2.65 billion pledge, there may be disbursements included below that are not included in Section 3 above, particular for the early years. One disbursement related to the $2.65 billion commitment ($168.6 million for the Green Climate Fund) was made in late 2015/16, and is included in 2016/17 for purposes of this analysis. It does not include $28 million in disbursements for climate purposes by IDRC over these years.

[56] It should be noted that disbursements are from the Government of Canada accounts, not disbursements to final project implementors as examined in Section 3.2.

[57] See the various years for the HPDS at https://www.international.gc.ca/department-ministere/open_data-donnees_ouvertes/dev/historical_project-historiques_projets.aspx?lang=eng. These disbursements use to DAC's Rio Marker to identify both principal purpose climate finance (the main goal is adaptation or mitigation) or significant purpose climate finance (climate objectives are one among several other project objectives). Significant purpose climate finance has been adjusted according to the government's policy of inclusion of significant purpose climate finance at 30%. This inclusion rate is also one used by AidWatch Canada's own analyses of climate finance.

Table Eight: Canada's Climate Finance Disbursements, All Federal Departments, 2016/17 to 2019/20

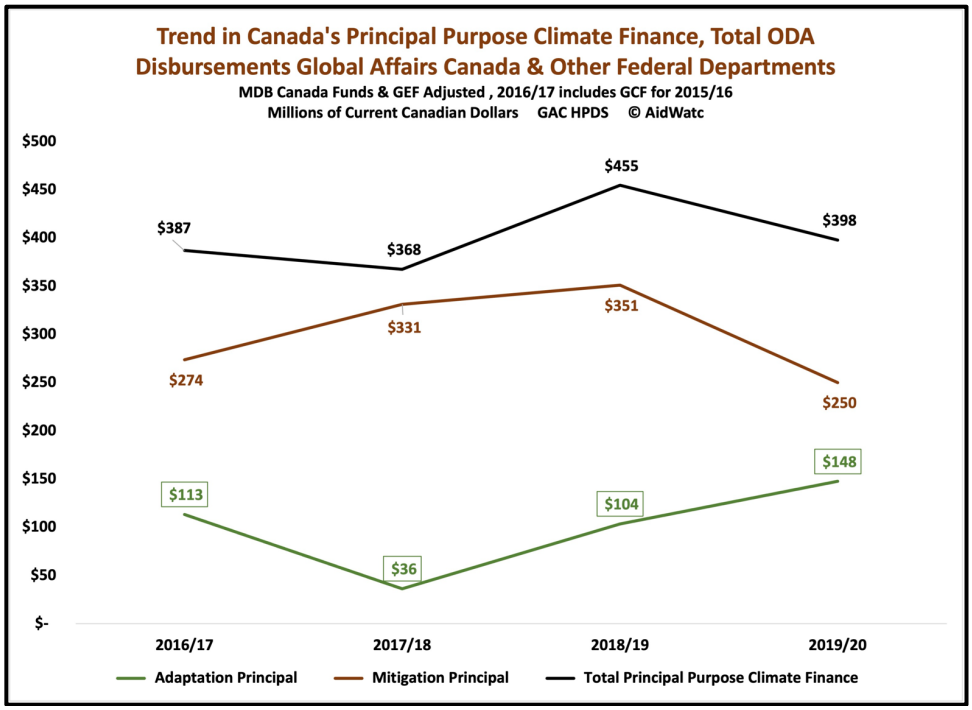
(2015/16 Disbursements for the Green Climate Fund only, which is included in the $2.65B commitment)
Millions of Canadian Dollars

	Adaptation Significant	Adaptation Principal	Mitigation Significant	Mitigation Principal	Total Principal Purpose	Total Significant Purpose	Total Climate Finance
2019/20	$95.1	$147.6	$50.5	$250.2	$397.8	$145.6	$543.4
2018/19	$67.0	$103.5	$32.3	$351.1	$454.6	$99.3	$553.9
2017/18	$65.7	$103.5	$30.6	$331.3	$367.6	$96.3	$463.9
2016/17	$60.0	$45.9	$29.4	$172.5	$218.4	$89.4	$307.8
2015/16		$67.4		$101.2	$168.6		$168.6
Total	**$287.8**	**$400.7**	**$142.8**	**$1,206.3**	**$1,607.0**	**$430.6**	**$2,037.6**

Table Eight and **Chart Three** indicates that a total of $543 million in climate finance disbursements were made in 2019/20. These disbursements were slightly less than those made in 2018/19 ($554 million), and seem not to be trending upward to reach $800 million in 2020/21. In fact, principal purpose climate finance disbursements declined by 12% between 2018/19 and 2019/20. Most of this shortfall in total climate finance was made up from "mainstreamed" climate finance (significant purpose projects). Levels of project disbursements do vary from year to year. Nevertheless, these trends are not a positive sign for achieving and sustaining $800 million in disbursements in 2020/21 and beyond.

Chart Three: Total ODA Climate Finance Disbursements, 2016/17 to 2019/20

Millions of Canadian Dollars



Principal purpose disbursements since 2016/17 are a (good) estimate of the total share of the $2.65 billion commitment that the government considers disbursed, up to the end of the 2019/20 fiscal year. Accordingly, a total of $1,607 million in principal purpose projects (or 61% of the $2.65 billion) has been disbursed over these four years, leaving a gap of $933 million that presumably was filled in 2020/21, to disburse the $2.54 billion of the pledge by the end of that year (**Section 3.2, Table Two,** Column [1]). As noted above, the data is not yet available to determine whether the government has met its 2015 commitment to disburse at least $800 million in 2020/21. While this commitment was made in the context of the $2.65 billion commitment, it has never been clarified what disbursements are included in the $800 million target (e.g. the inclusion of significant purpose projects).

Several large initiatives were started, which were fully disbursed in 2020/21, including $410 million for the Canada-World Bank Clean Energy and Forest Climate Facility (December 2020), $122.9 for the Canada-African Development Bank Climate Fund, an additional $80 million for the IFAD loan fund, $20 million for the CARICOM Adaptation Fund. Disbursements from the Government's accounts for these four initiatives alone total $633 million in 2020/21. With regular programmed disbursements for ongoing projects, including significant purpose projects, it is very likely that the $800 million target for 2020/21 can be reached. Not all previously approved projects relating to the $2.65B pledge have been fully disbursed by March 31. 2021 as noted in **Section 3.**1.

Canada considers that it has fully disbursed money to its six special Funds at the MDBs, the Green Climate Fund and to IFAD, among other loan and multilateral initiatives (See **Section 3.2** and **Table Three**). Information available for five of the MDB Funds, however, indicate that only 32% of these Canadian disbursements have been allocated to project implementors by these Funds (known allocations as of July 2021, see **Annex Six**).

As indicated in **Table Three**, among all projects and initiatives with known disbursements, it is estimated that less than 50% of these commitments have been disbursed to project implementors as of July 2021. It seems very likely that allocations from several MDB and multilateral initiatives where disbursements patterns are not known, are also consistent with this projection.

4.2 Balance of mitigation and adaptation in annual climate finance disbursements since 2015

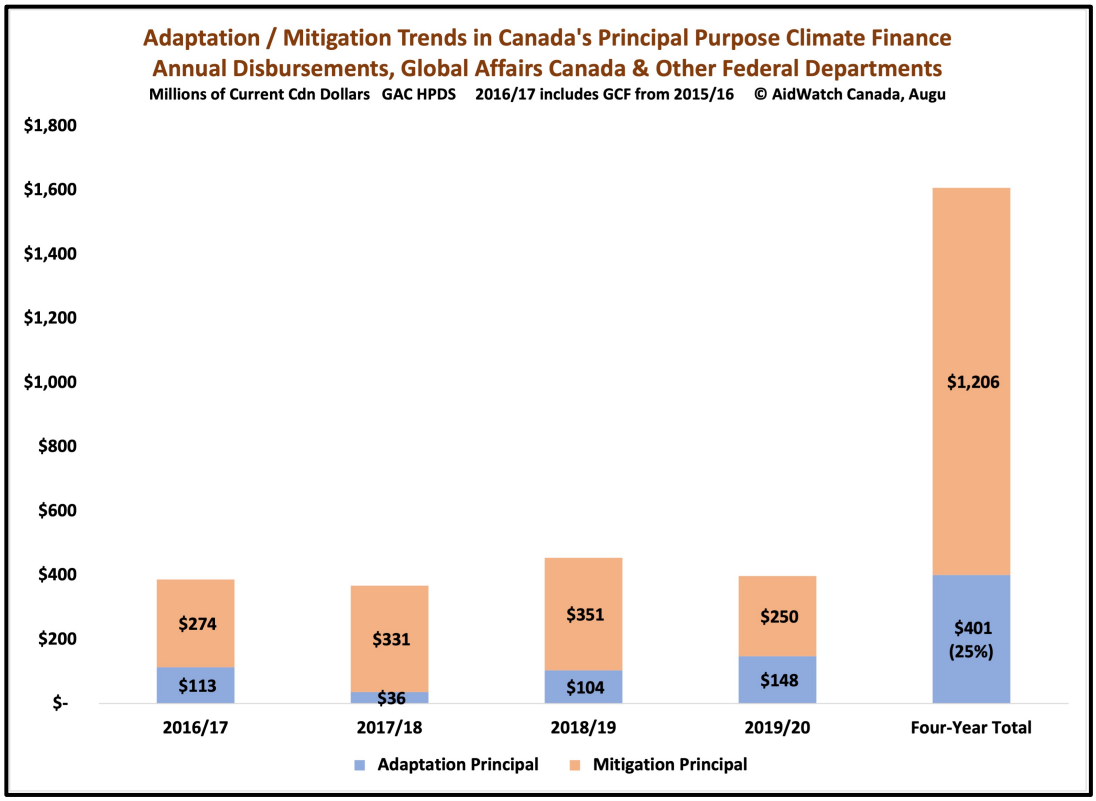
Trends in Canada's Climate Finance Adaptation Disbursements – Key Points

1. **The four-year average disbursements for adaptation purposes up to 2019/20 is 25% (slightly less than the 31% estimate for the $2.65 billion project commitments). But these adaptation disbursements have been increasing since 2017/18, reaching $148 million in 2019/20.**

Over the past five years Canada's climate finance disbursements have emphasized mitigation purposes, given the large commitments in this area. (**Chart Four**) The share of adaptation in annual disbursements however has increased each year since 2017/18, from 10% in 2017/18 to 37% in 2019/20. The four-year average share of adaptation in principal purpose climate finance up to 2019/20 is 25% (including a

disbursement made to the Green Climate Fund in 2015/16, which is included in 2016/17). The estimate for adaptation in the full $2.65 billion as commitments is a bit higher at 31% (see **Table Four** and **Section 3.3**).

Chart Four: Adaptation and Mitigation in Canada's Annual Climate Disbursements
Millions of Canadian Dollars



Note: Projects coded adaptation/mitigation have been divided 50/50, except for Canadian trust funds at Multilateral Development Banks where actual project disbursements, when know, are used to determine the adaptation/mitigation share. A disbursement for the Green Climate Fund made in late 2015/16 is included in 2016/17.

4.3 Impact of climate finance in Canadian ODA

Canada's Climate Finance and Canadian ODA – Key Points

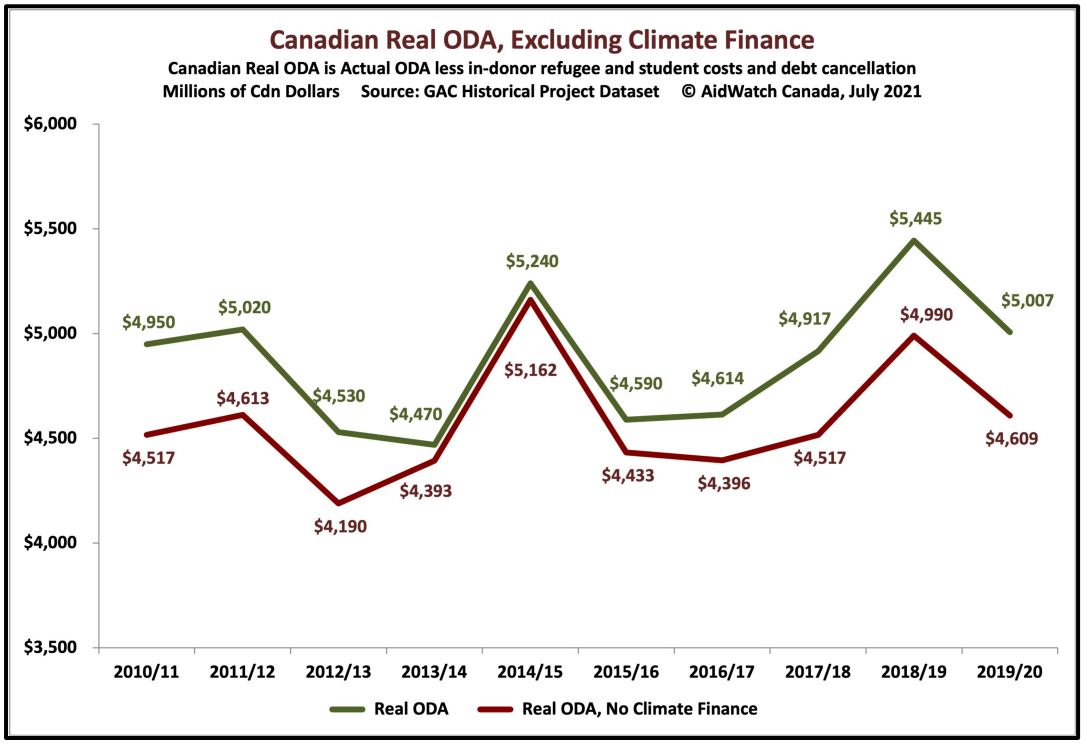
1. **Excluding principal purpose climate finance, in 2019/20 Real Canadian ODA declined to $4.6 billion or a mere 0.20% of Gross National Income (GNI), from $5.0 billion (0.22% of GNI).**
2. **As a share of Real ODA, principal purpose climate finance has been increasing from 3.2% in 2015/16 to 8.2% in 2019/20.**

Canada's climate finance has had a significant impact on ODA; Canada's doubling of its climate pledge for 2020 to 2025 should not result in a reduction of Canada's public international assistance for other purposes.

In 2009, developed countries, including Canada, reaffirmed in the COP15 *Copenhagen Accord* to, "scaled-up, new and additional, predictable and adequate funding … to developing countries [emphasis added, §9]."[58] While additionality is a crucial principle for international climate finance, for many donors like Canada that have not achieved the UN target of O.7% of GNI for its ODA, it is difficult to determine the degree to which climate finance is actually additional.

Yet, climate finance had had a significant and growing impact on Canada's allocation of its ODA for other purposes. Excluding principal purpose climate finance, in 2019/20 Real Canadian ODA declined to $4.6 billion or a mere 0.20% of Gross National Income (GNI), from $5.0 billion (0.22% of GNI).[59] (**Chart Five**) As a share of Real ODA, principal purpose climate finance has been increasing as the $2.65 billion commitment is implemented, from 3.2% in 2015/16 to 8.2% in 2019/20 (**Chart Six**).

Chart Five: Impact of Climate Finance Disbursements on Real Canadian ODA
Millions of Canadian Dollars



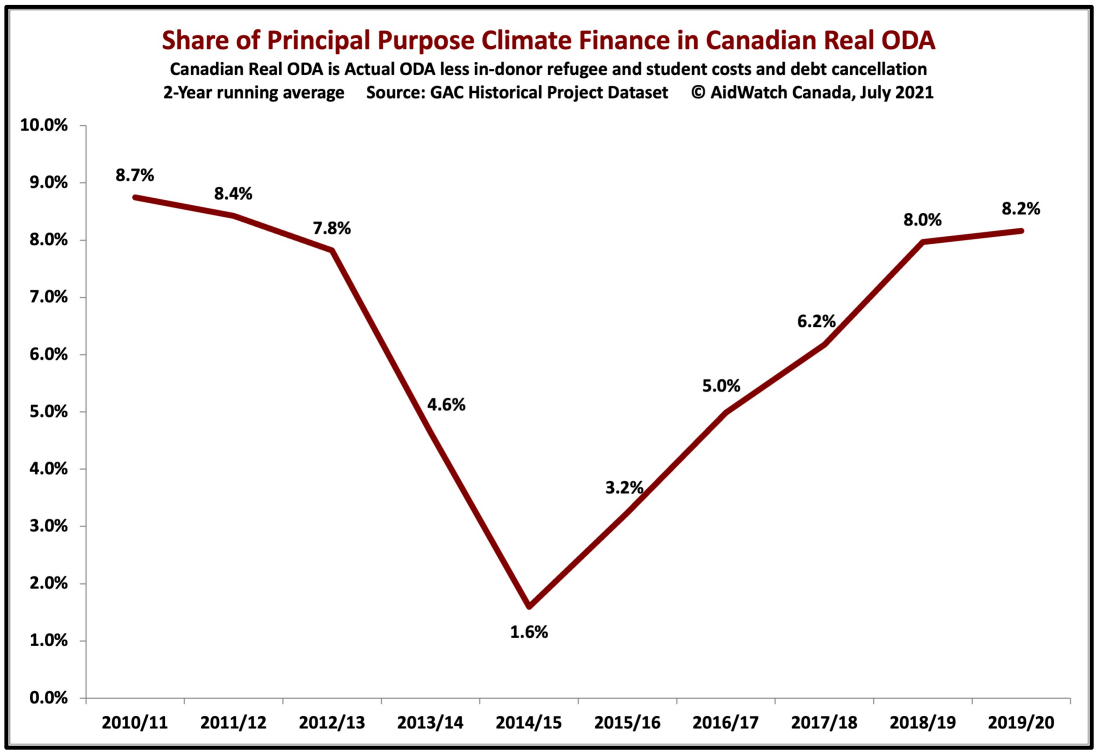
Assuming $800 million in climate disbursements in 2020/21 of which $650 million is for principal purpose projects, the share of estimated ODA for that year will grow to 10% (or 12% excluding $1.2 billion in special COVID-related ODA allocations). Without built-in increases in the International Assistance Envelope over

[58] See https://unfccc.int/resource/docs/2009/cop15/eng/11a01.pdf.

[59] Real ODA is Actual ODA less in-donor refugee and student costs, debt cancellation and interest paid on previous ODA loans. Real ODA provides a more accurate picture of ODA resources available for its intended purposes in developing countries.

the next five years, implementation of the new $5.3 billion commitment will draw even larger shares of ODA for these purposes. There is currently no fiscal framework for the $5.3 billion pledge, and so it is not possible to accurately predict the impact of increased climate finance on Canadian ODA levels for other purposes.

Chart Six: Share of Principal Purpose Climate Finance in Canadian Real ODA Disbursements



5. Deconstructing Canada's Total Climate Finance

Estimating Total Canadian Climate Finance Disbursements, All Sources, 2016 - 2020 – Key Points

1. **Based on available data, a five-year estimate of Canada's climate finance disbursements is $5.7 billion via all channels, of which 28% is directed to adaptation and 72% to mitigation.**
2. **Canada's $2.65 billion pledge is only 42% of this total climate finance. A major share of the total is estimated to also come from Export Development Canada and mobilized private sector finance.**
3. **An estimate of Canada's fair share of the US$100 billion in annual climate finance in 2020 is Cdn$4.75 billion. The best estimate for Canada's total climate finance in 2020 is $1.5 billion or 32% of Canada's fair share.**

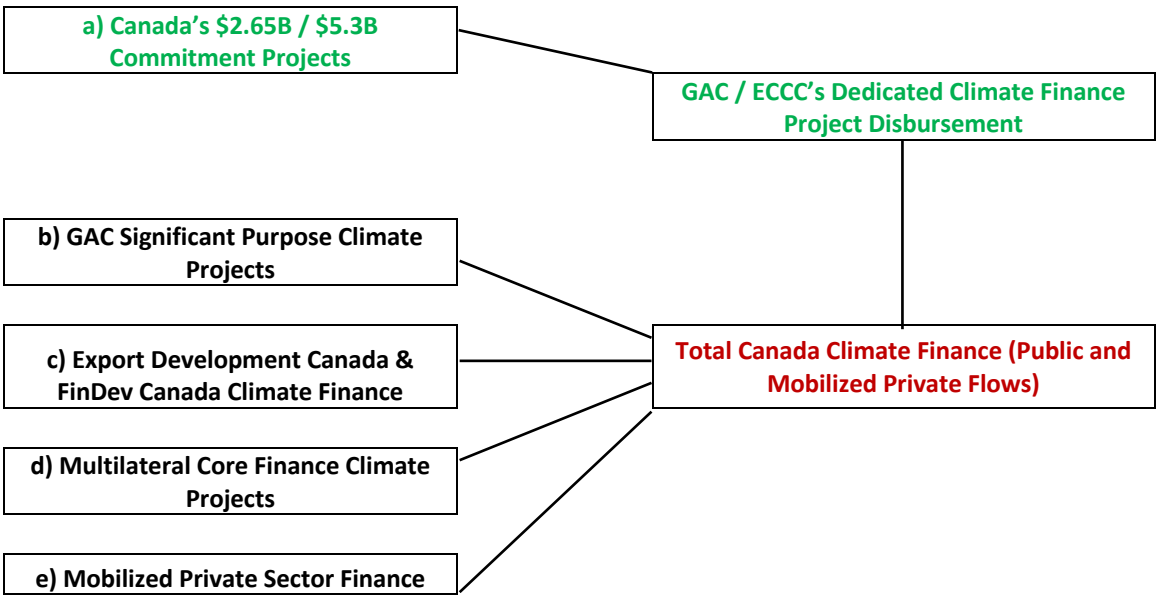
While Canada has delivered on its $2.65 billion commitment, Canada has also deployed climate finance through other channels, in particular Export Development Canada and FinDev Canada, which are not counted as being part of the $2.65 billion commitment. The latter are communicated to the UNFCCC by

Canada as part of its total climate finance.

The $2.65 billion commitment has been an important benchmark for measuring its Canada's performance in meeting its financial obligations to the 2015 Paris Agreement. However, in the past five years, Canada has also reported to the UNFCCC in its Biennial Reports climate finance disbursements from a range of different channels. The 2020 *Reality of Canada's International Climate Finance* report attempted to deconstruct these different flows in order to provide an overarching picture of this climate finance.[60] This section is an update of this 2020 analysis where new information is available. It also sets a context of understanding possible scenarios for situating the allocation of the $5.3 billion new pledge.

The Diagram below sets out five different channels for Canadian climate finance portfolio:

Components of Canada's Total Climate Finance Portfolio



5.1 Measuring the scope for Canadian climate finance through all channels, 2016 to 2020

Table Nine below sets out an estimate for Canada's total climate finance in the first five-year period following the Paris Agreement in 2015. These estimates are based on available information (July 2021) and several (sometimes broad) assumptions that are detailed for each channel below and in the Table. Due to very partial data for several channels, this estimate must be treated only as indicative of overall trends and not an exact scale of investment.

a) Disbursements under the $2.65 billion commitment

According to the HPDS, a total of $1,607 million in principal purpose climate disbursements were made

[60] See the detailed review of these channels in Tomlinson, 2020, *op. cit.*, pp 24 to 39.

up to 2019/20 from all federal government departments (**Section 4.1**). These disbursements are determined by the DAC Rio Markers for climate finance identifying principal purpose projects where climate adaptation and/or mitigation are the main purpose and objectives. An additional $55 million were made by other government and para-governmental bodies, of which $28.1 million were made by IDRC.

For **Table Nine**, it is assumed that a minimum of $800 million in disbursements were made in 2020/21 fulfilling the 2015 commitment to this end. Accordingly, $2,407 million is registered in this Table**,** with an additional $55 million for other government bodies. Note that these amounts are based on disbursements from Canada's accounts as recorded in the Historical Projects Data Set, and do not consider the degree of disbursements from the special Canadian funds at the MDBs (see **Section 3.2**).

The calculation of the share of mitigation and adaptation is derived from the commitment shares (31% to adaptation) as set out in **Section 3.3**.

b) Bilateral significant purpose projects

We estimate that $684.7 million has been allocated through bilateral significant purpose projects over the past five years. These climate finance disbursements are mainstreaming climate objectives in Canada's aid program, but are not projects focused on climate objectives (which fall under the $2.65 billion commitment). In its Biennial Reports to the UNFCCC, Canada reports climate finance allocations within projects where adaptation and/or mitigation are one objective among other project objectives. Accordingly, climate focused disbursements are calculated at 30% of total project disbursements. This proportion is used by the Government of Canada in its reports to the UNFCCC.

Up to March 2020, a total of $534.7 million can be identified for significant purpose climate finance. It is assumed that for 2020/21 there was an equal level of significant purpose disbursements as 2019/20 ($146.8 million). With the resulting addition of $150 million for 2020/21, the five-year total is $684.7 million.

The division between adaptation and mitigation up to March 2020, was 68% to adaptation and 32% to mitigation. The assumed amount of $150 million for 2020/21 was divided along these lines.

c) Export Development Canada climate finance

More than $1.4 billion has been estimated as committed to climate action through Export Development Canada (EDC) since 2015. For the 2015 – 2018 period, the Government reported to the UNFCCC a total of $782 million in climate finance from this crown corporation. The EDC publishes no detailed climate finance project data to verify this amount. The EDC generally supports the Canadian private sector through export credit financing, loan and investment guarantees for trade and investment projects initiated by Canadian firms.

In its Fourth Biennial report to the UNFCCC, EDC indicated $509 million in climate finance for the years 2017 and 2018 [page 41]. This amount was a significant increase over 2015/2016. The assumption for 2019/2020 is an increase of 25% over 2017/2018 or $636 million. The next Biennial Report, expected in December 2021 or January 2022, will verify an amount for these years.

The five-year total is therefore $1,418 million. There is no information on adaptation or mitigation for these investments. Given the experience of FinDev Canada and Canada's special private sector funds at the MDBs, the assumption is a 20% adaptation / 80% mitigation division.

Canada's reported amounts for EDC to the UNFCCC were public resource flows, not the mobilized private sector trade and investment flows resulting from loans and guarantees. The purchase of EDC's Green Bonds by the private sector, therefore, are not considered in the above calculations (although there is no indication that some EDC expenses related to these Bonds are not included in the above amounts). The purpose of the Bonds is to support environmental companies or projects with "loans that help mitigate climate change with clean technology or improved energy efficiency." Various reports on the EDC's Bond investments are available.[61]

The Biennial report to the UNFCCC also does not consider the massive carbon impact of EDC's full portfolio, particularly its enormous, continued support for carbon intensive fossil fuel trade and investment support. This support has averaged $13 billion per year since the Paris Agreement was signed (representing 12% of the EDC's total portfolio).[62] The five-year total of $1.4 billion in EDC climate finance reported to the UNFCCC represents just 2% of this five-year support for fossil fuels (or an estimated 0.2% of the EDC's total portfolio.

Among the OECD countries, Canada ranks first in the scale of its support for oil and gas exploration, production, refining and transportation, with the vast majority coming from the EDC.[63] In July 2021 the EDC committed to achieve net zero by 2050, with "interim reduction targets for the most carbon intensive sectors for 2023 and 2030." The initial goal for 2023 is a 40% reduction in six of the most carbon intensive sectors, reducing support from $22.4 billion in 2018 to $13.5 billion in 2023, with "Part of this work will include a sharp reduction in financial support for foreign fossil fuel projects and companies."[64] While

[61] See EDC Green Bonds accessible at https://www.edc.ca/en/investor-relations/green-bonds.html. An annual report is available for 2020.

[62] See Tomlinson, 2020, op. cit., page 35-36 and Above Ground, "Export Development Canada must stop fueling the climate crisis," June 7, 2021, accessed August 2021 at https://aboveground.ngo/export-development-canada-must-stop-fuelling-the-climate-crisis/. See also Vanessa Corkal, "Recovery through Reform: Export Development Canada's Role in Fossil Fuel Subsidy Reform," International Institute for Sustainable Development, February 2021, accessible at https://www.iisd.org/system/files/2021-02/export-development-canada-fossil-fuel-subsidy-reform.pdf.

[63] Quoted in Corkal, op. cit, page 2.

[64] See EDC, "EDC Net Zero: Steps, considerations and decisions along the path to net zero by 2050," July 2021, accessed August 2021 at https://www.edc.ca/content/dam/edc/en/non-premium/edc-net-zero-emissions-2050.pdf.

representing increased ambition over an earlier policy, the new EDC strategy ignores the recent advice from the International Energy Agency that any new investments in fossil fuel projects are incompatible with limiting global warming to 1.5 degrees.[65]

d) FinDev Canada

FinDev Canada was established in 2018 as Canada's Development Finance Institution. Among the priorities for FinDev Canada is an emphasis on

> "green growth, e.g. renewable energy, energy infrastructure, energy efficiency, water supply, water management, waste management, waste-water management, bio-refinery products, green industrial production, and climate solutions focused on mitigation or adaptation."[66]

As of August 2021, FinDev Canada has financed $184.6 million in ten climate focused projects (see **Annex Seven** for a list of these projects). These projects make up 52% of FinDev's current portfolio ($356 million or US$278 million). All but one project ($16 million) is directed to climate mitigation investments. Two projects, with total investments of $25 million, focus on sustainable forestry practices, with "carbon capture from trees and the replacement of fossil fuels with biomass and steam energy."

While little is known about any of these ten projects, an earlier report by REDD Monitor on Global Woods in Uganda, one of the investment recipients of the Africa Forestry Fund, found high levels of conflict with local communities around its projects: "fines, arbitrary arrests of people and impoundments of cattle entering the reserve, denied access to water tanks, that were constructed for use by the communities and widespread corruption among forest rangers, etc."[67] On the other hand, M-KOPA in Kenya, in which FinDEv invested $12.8 million, has a strong reputation making solar products affordable to low-income households on a pay-per-use installment plan.[68]

e) Mobilized private finance

The OECD DAC 2016 Roadmap for achieving the annual climate finance commitment of US$100 billion annually by 2020 includes not only official flows from developed country providers, but also up to US$33.2 billion in private sector climate finance mobilized by donor public sector resources (through investments, loans and guarantees). So far, based on OECD data, private climate finance has not reached the levels

[65] Brad Pulmer, "Nations must fossil fuel, fast world energy body warns, New York Times, May 18, 2021, accessed August 2021 at https://www.nytimes.com/2021/05/18/climate/climate-change-emissions-IEA.html. The Report states that "there can be no investment in new fossil fuel supply projects from now on and an immediate phase out is needed." (https://www.iea.org/news/pathway-to-critical-and-formidable-goal-of-net-zero-emissions-by-2050-is-narrow-but-brings-huge-benefits)

[66] See https://www.findevcanada.ca/en/what-we-do/our-approach.

[67] See REDD Monitor, "Global Woods' plantations in Uganda: Trees versus food," January 8, 2016, accessed August 2021 at https://redd-monitor.org/2016/01/08/global-woods-plantations-in-uganda-trees-versus-food/.

[68] See DevEx, https://www.devex.com/organizations/m-kopa-solar-33197.

estimated in 2016. In fact, private finance mobilised was down 4% at US$14.0 billion in 2019, after US$14.6 billion in 2018.[69]

The OECD DAC recently estimated that 33% of mobilized blended finance (or US$16.1 billion) targeted climate finance (2018 and 2019 average). It also reported that multilateral financial institutions were responsible for mobilizing 75% of the full $48.3 billion in mobilized private sector flows for climate purposes for these years.[70]

In its 2019 Fourth Biennial Report to the UNFCCC, Canada estimated for the first time that US$306 million had been mobilized with US$213 in public resources for 2017 and 2018. No details were provided other than these amounts were estimates based on the OECD DAC methodology for determining mobilized private sector finance. Using this amount for 2017 and 2018 at $195 million annually, 2016 was assumed to be 25% less at $145 million, and 2019 and 2020, 25% more at $245 million. The assumed total for the five years is $1,025 million, allocated 20/80 to adaptation / mitigation.

f) Core multilateral climate finance attributed to Canada

Developed countries pledge of US$100 billion in annual climate-related flows for developing countries included US$29.5 billion in annual outflows from multilateral funds and multilateral development banks (MDBs) from their own resources, which can be attributed to these providers.

This attribution is based on the share in core funding of these multilateral organizations by each donor (which may differ between multilateral organizations and development banks). A donor's core support for MDBs does not include special funds established by the donors at these institutions such as the special climate funds for the private sector created by Canada at the ADB, the World Bank and the IADB. MDBs in particular may have internally generated resources (e.g. repayments on previous loans) that are not attributable to donor countries but make up some of the MDBs climate related financing.[71]

Using the DAC climate finance statistics, annual amounts (in US dollars) can be identified for imputed multilateral support for Canada for the years, 2016 to 2019. It is assumed that the amount for 2019 applies equally to 2020. The five-year total is Cdn$1,025 million, which is divided 43% adaptation and 57% mitigation.

[69] See https://www.oecd.org/environment/statement-from-oecd-secretary-general-mathias-cormann-on-climate-finance-in-2019.htm.

[70] OECD, "CoP-PF4SD Meeting on Blended Finance Data," Powerpoint, July 20, 2021 [unpublished].

[71] Multilateral funds and MDBs report their flows to developing countries to the OECD DAC. The MDBs also publish an annual joint report on their climate finance, which uses a different methodology in defining the scope of adaptation and mitigation activities.

5.2 A five-year estimate of Canada's climate finance, all channels

Table Nine brings together a five-year estimate of Canada's total climate finance from all channels described in **Section 5.1** above. This estimate is based on, and limited by, available data, particularly for Export Development Canada and mobilized private finance (see the assumptions below).

Table Nine: Canada's Reported Climate Finance Disbursements, All Channels, A Five-Year Estimate, 2016 to 2020

Millions Cdn Dollars		Total	
N.B. See Assumptions for this table below	**Five-Year Total**	**Adaptation**	**Mitigation**
a) $2.65B Commitment, Disbursements to March 2021	$ 2,407.0	$ 649.0	$ 1758.0
b) Disbursements by other government bodies	$ 69.0	$ 55.2	$ 13.8
c) Bilateral Significant Purpose Projects, @ 30% Disbursements	$ 576.2	$ 382.9	$ 193.3
d) Export Development Canada	$ 1,418.0	$ 283.6	$ 1,134.4
e) FinDev Canada	$ 184.6	$ 16.0	$ 168.6
f) Mobilized Private Sector Finance	$ 1,025.0	$ 205.0	$ 820.0
Total	**$ 5,679.8**	**$ 1,575.7**	**$ 4,088.1**
g) Estimate of Imputed Multilateral Finance	$ 1,722.5	$ 738.8	$ 983.7
Share (Excluding Imputed Multilateral)		**28%**	**72%**

Table Assumptions

1. For the $2.65B commitment, actual disbursements to March 31, 2020 (HPDS), plus $800 million for 2020/21 from the HPDS. The division between adaptation and mitigation for the $800 million is based on the calculation for the $2,706.5 commitments identified in Section 2.3 (31% for adaptation).
2. Disbursements by other government bodies includes IDRC, other entities and provinces. It is assumed that 2020/21 is equal to the average for the previous four years ($55 million) and is allocated mainly to adaptation (80% / 20%).
3. All bilateral significant purpose projects are significant purpose project disbursements up to March 2020. An amount equal to 2019/20 is assumed for 2020/21 ($150 million). Bilateral significant purpose projects include Bilateral Branches and Partnerships Branch in GAC in the HPDS. The division between adaptation and mitigation is based on the Rio Markers for climate finance.
4. The total for Export Development Canada is a basic estimate. It includes the total from Canada's Biennial Reports to the UNFCCC for the years 2015 to 2018. For 2017 and 2018 the amount reported was $509 million. It is assumed that this amount increased by 25% in 2019 and 2020. An 80/20 ratio for mitigation/adaptation is assumed for the allocation of EDC climate finance.
5. The amounts for FinDev Canada are determined by published project profiles by FinDev up to August 2021. See **Annex Seven**.
6. Mobilized private sector finance amounts are only available for 2017 and 2018 in the Fourth Biennial UNFCCC Report. It is therefore a crude estimate. An amount for 2016 is assumed by the author to be 25% less, and for 2019 and 2020 25% more. An 80/20 ratio for mitigation / adaptation is assumed for the allocation of private sector mobilized finance.
7. The DAC established imputed multilateral climate finance for Canada and all donors. This total reflects the DAC calculations for the years, 2016 to 2019. The amount for 2019 is assumed to apply to 2020. An exchange rate of $1.28 is applied to the DAC US dollar figures across all years.

The five-year total is $5.7 billion via all channels, of which $1.6 billion is thought to be directed to adaptation and $4.1 billion for mitigation, a 28% / 72% divide. This total of $5.7 billion excluded imputed multilateral shares ($1.7 billion). Including the latter would raise Canada's total climate finance to $7.4 billion over five years. But, since the Canadian government has no control over this amount (as it depends entirely on negotiated shares with other donors and decisions made by the various multilateral organizations to which Canada provides core support), this estimate of Canada's climate finance from all channels excludes it.

The disbursements for Canada's $2.65 billion commitment are only 42% of these climate resources. A major share is climate investments by Export Development Canada and mobilized private sector resources. A high degree of caution should be given to these amounts. Transparency is a critical issue as these latter amounts are derived from very little actual data (see the relevant discussion in **Section 5.1** above).

5.3 Achieving Canada's Fair Share of US$100 billion in 2020

Canada's fair share of the US$100 billion global commitment is 3.8%, based on Canada's Gross National Income (GNI) share in donors' total GNI. An approximation of this share for the US$100 billion is a total of US$3.8 billion or Cdn$4.75 billion (@ $1.25 exchange rate). (**Table Ten**) In 2016 DAC members developed an approximate Roadmap for achieving the US$100 billion in climate disbursements by 2020 from all sources, including mobilized private sector resources.[72]

Table Ten: Allocation of the DAC Roadmap for $100 Billion Disbursements by 2020: An Estimate of Canada's Annual Fair Share Disbursements in 2020

Component of US$100 Billion (Billions of Dollars)	**Annual Global Commitment (US$)**	**Canadian Share @ 3.8% (US$)**	**Canadian Share (Cdn$ @ $1.25 exchange)**	**Estimated Disbursements Canada, 2020 (Cdn $)**
Bilateral	$37.3	$1.4	$1.8	$0.8
Imputed Multilateral	$29.5	$1.1	$1.4	$0.47
Mobilized Private Sector	$33.2	$1.3	$1.55	$0.25
Total	**$100.0**	**$3.8**	**$4.75**	**$1.52**

Sources: Bilateral from Canada's 2015 Pledge; Imputed Multilateral from DAC Climate Finance Statistics for 2019; Mobilized Private Sector from an estimate based on Table Nine

While there are not yet precise numbers for 2020, based on the data available and the assumptions described above, Canada allocated $800 million for bilateral climate finance, mobilized $245 million in private sector finance, and had an imputed $469 million in its share of core support for multilateral

[72] See *Roadmap to US$100 billion*, 2016, Figure 1, page 8, accessed August 2021 at https://dfat.gov.au/international-relations/themes/climate-change/Documents/climate-finance-roadmap-to-us100-billion.pdf.

organizations. These estimates total $1,514 million in climate finance for 2020.[73]

This estimate of $1.5 billion in Canada's climate finance for 2020 is only 32% of Canada's fair share (i.e. compared to $4.75 billion). Considering only bilateral finance and mobilized private finance, over which the government has control of the actual amounts it allocates, Canada achieved 31% of its fair share for these combined global targets (US$37.3 billion and US$33.2 billion respectively).

6. Channels for Delivering Canada's International Climate Finance

Channels of Delivering Canada's Climate Finance – Key Points

1. **Canada has chosen to disburse 84% of its climate finance through multilateral organizations (principal purpose and significant purpose) between 2016/17 and 2019/20. This proportion rises to 91% when all the principal purpose project commitments for the $2.65 billion pledge are considered.**
2. **CSOs have played a very modest role in the delivery of Canada's climate finance, delivering 5% of all climate finance commitments for the $2.65 billion pledge, with 11% for adaptation finance and only 2% for mitigation disbursements.**
3. **A review of the $2.65 billion projects suggests that the private sector is the final implementor for at least 53% of these Canadian commitments, even when the private sector receives few climate resources directly from GAC.**

Multilateral organizations and development banks have been the primary channels for the delivery of Canada's climate finance. As indicated in **Chart Ten** these organizations were channels for 84% of climate finance (including both principal and significant purpose finance), with CSOs responsible for 9% of disbursements up to 2019/20. The multilateral proportion in climate disbursements is expected to increase once 2020/21 disbursement data is available.

[73] These estimates are speculative, based on existing data, and may over-estimate total climate finance in 2020. In a January 2021 "Biennial Communication by Canada on Indicative Quantitative and Qualitative Information on Climate Finance in Accordance with Article 9, paragraph 5, of the Paris Agreement," the Government reported the following: "Canada's total climate finance has been steadily increasing since committing to the collective US$100B goal in 2009. From $625M over 2015 and 2016, Canada's public climate finance disbursements increased to $1.5B over 2017 and 2018. While a portion of this amount is directly attributable to Canada's $2.65B commitment, it also includes support from other sources such as other international assistance with a climate change component, climate-relevant support through Export Development Canada (EDC), provincial support, and core contributions to Multilateral Development Banks (MDBs) that supported climate action." Accessed August 2021 at https://www4.unfccc.int/sites/SubmissionsStaging/Documents/202101181439---Biennial%20Communication%20by%20Canada_2020.pdf

Chart Ten: Channels for Delivery of Canada's Climate Finance (Principal and Significant Disbursements)

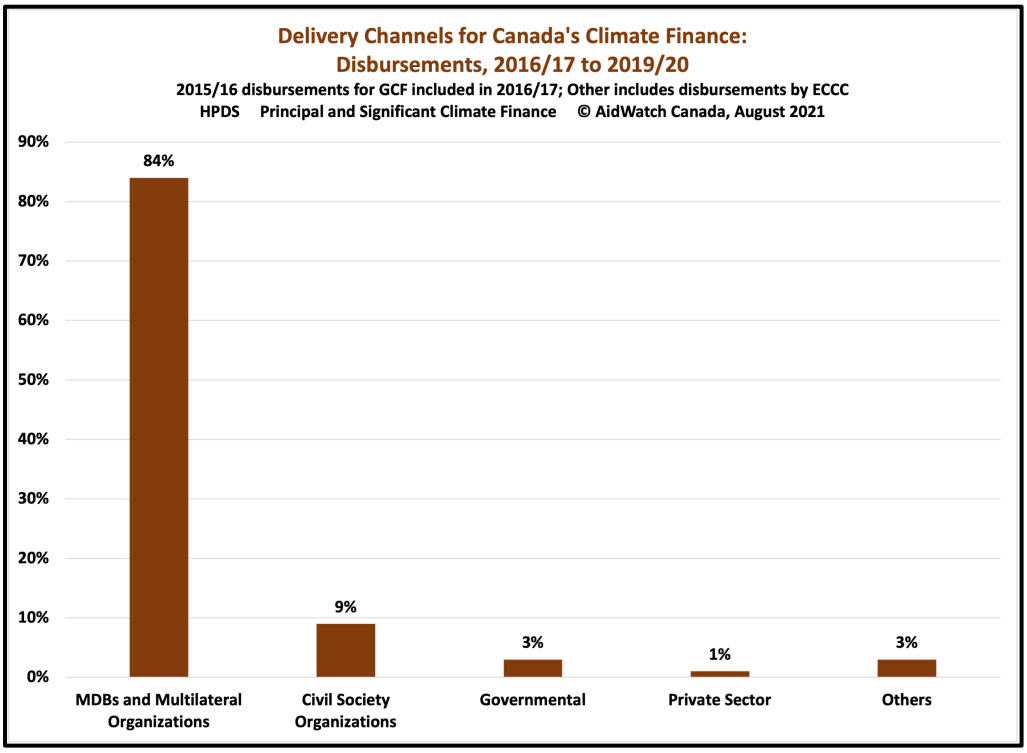


Table Eleven establishes the main channels of delivery for the principal purpose climate projects identified for the $2.65 billion pledge (based on a review of project commitments set out in **Annex Five**). Overall multilateral channels are responsible for 91% of these commitments, and among these organizations, MDBs for more than half at 52%. The latter are a primary focus for delivering mitigation climate finance at 67% of these commitments (with multilateral organizations responsible for 95% of mitigation commitments).

CSOs have played a very modest role in the delivery of Canada's climate finance as reflected in the allocations of the $2.65 billion commitment. (**Table Eleven**) CSOs were responsible for only 5% of total project commitments. These were concentrated among adaptation commitments where CSOs are delivering 11% of adaptation finance and only 2% of mitigation commitments. CSOs, however, are implementing 51% of all bilateral commitments for climate finance (which in turn is only 9% of total commitments).

A recent evaluation of Danish financing for adaptation, among others, have pointed to the importance of engaging local actors in effective adaptation programming, including community-based organizations, CSOs and local government, given the highly context-specificity of climate vulnerabilities.[74] Civil society

[74] Neil Bird, "Evaluation of Danish Support for Climate Change Adaptation in Developing Countries," Ministry of Foreign Affairs, Denmark , December 2020, pages 55-56, accessed August 2021 at https://um.dk/en/danida-en/results/eval/eval_reports/publicationdisplaypage/?publicationID=A9CC034B-9F7B-4F61-B733-6F8370EC442B.

can reach vulnerable people and communities, bring this context-specific development knowledge to the table, hold governments to account, defend the rights of vulnerable and marginalized populations, and support transformative change, all of which are crucial in raising government ambition in the climate crisis.

Table Eleven: Channels for Delivery: Canada's Project Commitments for the $2.65B Pledge

Channel	Share
Mitigation	
Multilateral	95%
Of which MDBs	67%
Bilateral	5%
Of which CSOs	2%
Adaptation	
Multilateral	82%
Of which MDBs	20%
Bilateral	18%
Of which CSOs	11%
Total Climate Finance	
Multilateral	91%
Of which MDBs	52%
Bilateral	9%
Of which CSOs	5%

The private sector is identified in the HPDS for only 1% of these disbursements up to 2019/20. (**Chart Ten**) However, a closer examination of the commitments for the $2.65 billion commitment suggests that the private sector is the final implementor for at least 53% of these Canadian commitments. The special Canadian Funds at the MDBs mainly focus on private sector partners in the implementation of projects through blended finance arrangements.[75]

[75] An estimate based on author's review of projects in **Annex Five,** including the Green Climate Fund at 33% of Canada's commitments (as identified on the GCF Dashboard as funding through the private sector).

7. A Multilateral Context for Climate Finance: Situating Canada's MDB Climate Funds and Other Multilateral Initiatives:

Situating Canada's Emphasis on Multilateral Organizations – Key Points

1. **Canada has a much higher emphasis on multilateral channels than DAC donors as a whole – 80% compared to 48% on average for all other donors together.**
2. **Multilateral Development Banks provide significant resources for climate finance from their own resources while remaining major investors in fossil fuel projects.**
3. **One MDB, the Africa Development Bank (AfDB), has high level of support for adaptation (70% of its climate investments).**
4. **Except for the Inter-American Development Bank, all MDBs have up to date policies on mainstreaming gender equality in their programming. Assessments of actual practice are limited.**

Given the very high proportion of Canada's climate finance through multilateral organizations (MDBs, UN organizations, Green Climate Fund and other multilateral organizations), some observations can be made regarding these institutions in responding to the climate emergency:

- **Canada has a much higher proportion for all multilateral channels than DAC donors as a whole** For 2019, less than half (48%) of total DAC donor bilateral climate finance was channeled through multilateral organizations, compared to 80% for Canada (DAC climate finance data – see **Section 10**).
- **Multilateral Development Banks have become significant actors in climate finance** MDB climate finance was 87% of all multilateral finance received by developing countries. (See detailed table in **Annex Eight**) In 2019 these countries received $38.7 billion in climate finance from the MDBs and $4.5 billion from other multilateral organizations. For the MDBs, by 2019 this finance has grown close to 150% from $15.7 billion in 2015. On the other hand, MDBs including the IMF remain major actors in the continued finance of the use of fossil fuel in their lending portfolios.[76]
- **MDB financing is highly dependent on loans compared to other multilateral organizations** From 2015 to 2020, grants made up only 3% of MDB climate finance, compared to 52% for all other multilateral organizations. In this period, non-concessional loans made up 80% of all MDB loans. (**Annex Six**) As noted above, many CSOs such as Oxfam discount non-concessional loans at zero grant equivalency in their calculations for total climate finance against the US$100 billion commitment.[77]

[76] See Greg Muttit, et. al., *Step Off the Gas: International public finance, natural gas, and clean alternatives in the Global South*, IISD, June 2021, accessed August 2021 at https://www.iisd.org/system/files/2021-06/natural-gas-finance-clean-alternatives-global-south.pdf and Jon Sward, Niranjali Amerasinghe, Andrew Bunker and Jo Walker, *IMF Surveillance and Climate Change Transition Risks: Reforming IMF policy advice to support a just energy transition,* Bretton Woods Project and ActionAid US, August 2021, accessed August 2021, at https://www.actionaidusa.org/publications/imf-surveillance-and-climate-change-transition-risks-reforming-imf-policy-advice-to-support-a-just-energy-transition/.

[77] It should be noted that there is no agreement between the MDBs and the DAC donors in how to treat loans. DAC donors use a grant equivalency methodology. For the MDBs concessionality relates to their ability to extend credit on financially sustainable terms.

- **Africa Development Bank (AfDB) has high level of support for adaptation** Based on annual reports by the MDBs on their own allocations of climate finance, in 2020 the AfDB provides 70% of its climate finance for adaptation, compared to 15% for the Asia Development Bank, 36% for the InterAmerican Development Bank and 42% for the World Bank Group. Both the InterAmerican Development Bank and the World Bank Group have improved their adaptation performance since 2015.[78]
- **MDBs have high reliance on non-concessional loans for adaptation finance** Non-concessional loans were 59% of MDB financing for adaptation in the five-year period 2015 to 2019, and 86% of mitigation financing. Whereas, for other multilateral organizations, non concessional loans were only 19% of their adaptation finance (and 33% of mitigation financing).
- **MDB attention to gender equality** With the exception of the Inter American Development Bank, all MDBs have recently developed gender equality policies and strategies for implementation.[79] Nevertheless, as highlighted in an assessment of the World Bank's mid-term review of its strategy "implementation actions do not consistently match this commitment, nor are they commensurate with the level of ambition in the strategy."[80] But it also comments that the IFC has taken a more active role in organizing and coordinating gender leads and focal points in comparison to the World Bank, where Canada has several distinct climate funds in support of private sector initiatives.
- **Few assessments of MDB climate projects** An internet search produced only one commentary on a climate project supported through Canada's Climate Fund for the Private Section II. Despite detailed socio-economic and environmental reviews of the Upper Trishuli Hydropower Project in Nepal, local civil society documented gaps in meeting promises to local communities affected by the dam.[81] The Fund contributed US$30 million towards multiple donor financing for this project. More broadly, the

[78] *Joint Report on Multilateral Development Bank's Climate Finance, 2020* and various years, 2020 accessible at https://publications.iadb.org/en/2019-joint-report-on-multilateral-development-banks-climate-finance.

[79] See for example, **World Bank IFC**: "IFC's Work in Gender Equality," accessed at https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Gender+at+IFC/; **Asia Development Bank**: *Strategy 2030 Operational Plan for Priority 2: Accelerating Progress in Gender Equality 2019 – 20124*, accessed at https://www.adb.org/documents/strategy-2030-op2-gender-equality and https://www.adb.org/what-we-do/themes/gender/strategy; **Inter American Development Bank**: The Operational Policy on "Gender Equality and Development" dates from 2010 (https://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=35428399); and **African Development Bank**: Five year strategy for Gender Equality, 2020 – 2025, approved January 2021, accessible at https://www.afdb.org/en/documents/african-development-bank-group-gender-strategy-2021-2025

[80] World Bank. 2021. World Bank Group Gender Strategy Mid-Term Review: An Assessment by the Independent Evaluation Group. Independent Evaluation Group. Washington, DC: World Bank, accessible at https://ieg.worldbankgroup.org/sites/default/files/Data/Evaluation/files/GenderMidTermReview.pdf.

[81] See Reality of Aid IFI Observatory, "Upper Trishuli 1 Hydropower Project", nd, accessible at https://realityofaid.org/wp-content/uploads/2019/11/IFI-Observatorio-Nepal.pdf, Lawyers Association for the Human Rights of Nepalese Indigenous Peoples, "International Finance Corporation (IFC) Financed 216 MW Upper Trishuli-1 Hydropower Project, Rasuwa," accessible at https://www.lahurnip.org/international-finance-corporation-ifc-financed-216-mw-upper-trishuli-1-hydropower-project-rasuwa, and Asia Development Bank, https://www.adb.org/projects/49086-001/main#project-pds.

NGO Forum on the ADB provides project monitoring for select projects supported through the ADB.[82]

- **Expanding numbers of trust funds at the World Bank** A report on climate-related trust funds at the World Bank, commissioned by the German agency, GIZ, found a proliferation of donor-supported trust funds, with 12% of 105 active trust funds focusing on climate change related themes. An additional 13 climate related trust funds were active at the IFC. The United Kingdom, Norway, Germany, the Netherlands, Spain, and Sweden are identified with the largest of these trust funds. The study found that this proliferation "leads to overlaps in the operation of these TFs, creating additional bureaucratic structures and costs that could be avoided with a better coordination among them."[83]

8. Sectoral Priorities in Canada's Climate Finance

Main Sectoral Emphases in Canada's Climate Finance – Key Points

1. **Renewable energy generation and energy retrofits is the predominant sector in climate disbursements (54%) up to 2019/20.**
2. **Agriculture makes up 11% of all climate disbursements, but 25% of principal purpose adaptation disbursements.**

The sectoral allocations for Canada's climate finance 2015 pledge reflect the government's emphasis on financing mitigation over adaptation. Sectoral data is derived from annual disbursements (2016/17 to 2019/20) for principal purpose climate finance by GAC and other federal departments in the Historical Projects Dataset for which sectors are identified.[84] (See **Annex Nine**) These disbursements during this period closely mirror project commitments relating to the $2.65 billion pledge (but may not be identical). While the data for 2020/21 is missing, it is not expected that the main emphases in sector allocations will change significantly when this data becomes available.

Chart Seven identifies energy (renewable and energy retrofit) as the predominant sector at 54% of all principal purpose climate disbursements. This sector makes up two thirds (66%) of all climate finance for mitigation. Canada's commitments to the Global Environment Fund (GEF) account for more than 40% of the activities reported as "Environmental Protection".

[82] See NGO Forum on the ADB, Project Monitoring, at https://www.forum-adb.org/advocacies.

[83] Bernhard Reinsberg, , et al., Climate Change-related Trust Funds at the Multilateral Development Banks, Final Report, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Berlin, June 2020, accessed at https://www.zora.uzh.ch/id/eprint/188309/1/ZORA188309.pdf.

[84] This sectoral analysis is based on data for GAC and other federal departments, excluding IDRC. The author has adjusted this data to take account the actual sectoral allocations for Canada's IFC Blended Climate Finance Program (based on approved projects), Canada's support for IFAD (agriculture not multi-sector), and the Green Climate Fund based on actual project approvals. It includes a disbursement for the Green Climate Fund made in the 2015/16 fiscal year related to Canada's $2.65 billion commitment.

Chart Seven: All Principal Purpose Climate Finance: Sectoral allocations for disbursements, 2016/17 to 2019/20

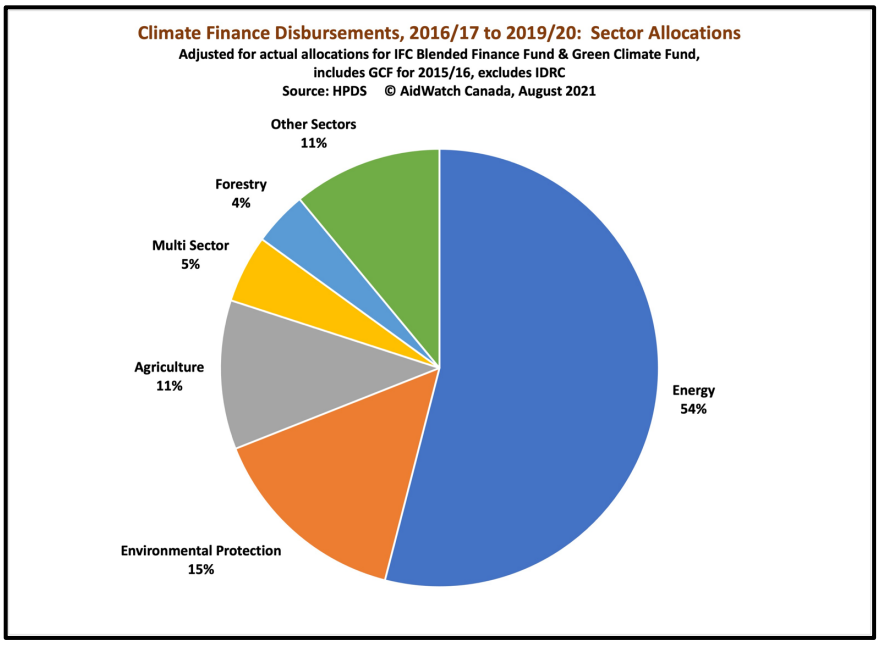
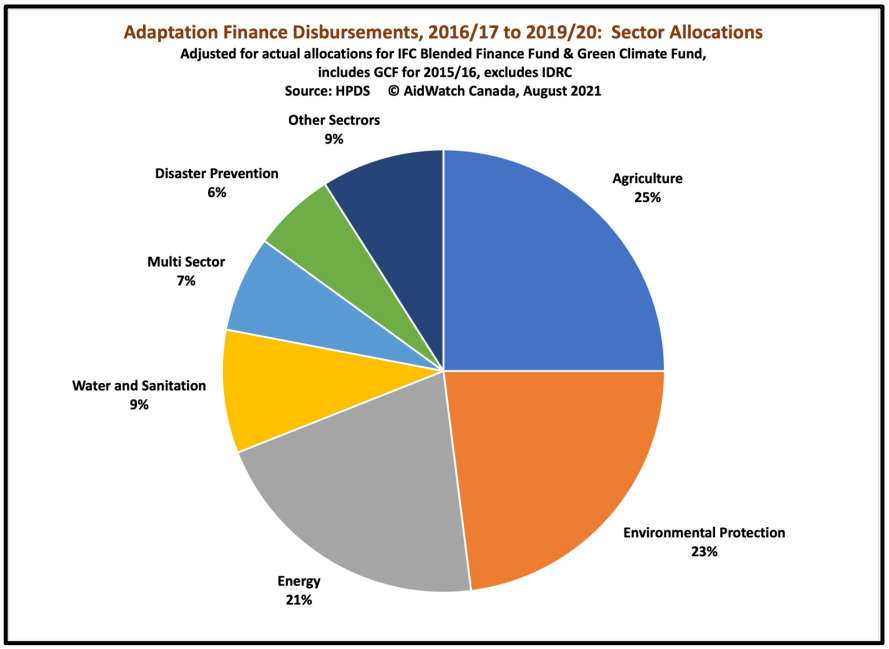


Chart Eight highlights the sectoral priorities for principal purpose adaptation climate finance. Agriculture (25%), environmental protection (23%) and energy (21%) (renewable and retrofits) are key sectors for adaptation finance. About 6% of adaptation finance is devoted to "disaster prevention," which mainly relate to support for insurance schemes to protect against loss and damage from current climate impacts.

Chart Eight: Principal Purpose Adaptation Climate Finance: Sectoral Allocations for disbursements, 2016/17 to 2019/20



9. Gender Equality in Canada's Climate Finance

Gender Equality in Canada's Climate Finance – Key Points

1. **The vast majority (94%) of Canada's principal purpose climate finance disbursement are considered to have mainstreamed gender equality issues, based on the application of the DAC's Gender Equality Purpose Marker. Gender equality is one among many other objectives for these projects.**
2. **A higher proportion of principal purpose adaptation projects have no gender objectives indicated (13%), compared to principal purpose mitigation projects (3%).**
3. **A focused approach to gender equality in Canada's climate finance has been limited. Between 2016/17 and 2019/20 there was only one project marked gender equality, principal purpose, worth $90,000, among principal purpose climate projects. All other principal purpose gender equality projects were among 13 projects that were marked significant purpose climate finance.**
4. **More recent project approvals indicate a stronger focus on gender equality and the application of FIAP in Canada's climate finance.**

The allocation of the $2.65 billion commitment has been guided by the Government's Feminist International Assistance Policy (FIAP) and its action agenda, which includes support for women's leadership in "climate-smart agriculture and food systems, sustainable agriculture and forestry, and comprehensive land and water management, that equip them to plan, prepare and respond to sustainability challenges."[85] Environment and climate action is also to work with, and empower women's organizations. Previous *Reality of Climate Finance Reports* have analyzed both the implementation of this action strategy and the importance of gender equality considerations in climate finance.[86]

Canada has led the development and implementation of the G*ender Policy and Gender Action Plan* for the Green Climate Fund (GCF), which highlight the critical aspect of gender equality in climate adaptation and mitigation.[87] A review of select GCF agriculture projects' gender equality analysis, for example, points to several gender equality issue areas, which the projects intend to address, *inter alia*:[88]

[85] See the Action Plan at https://www.international.gc.ca/world-monde/issues_development-enjeux_developpement/priorities-priorites/fiap_environment-paif_environnement.aspx?lang=eng (Accessed August 2021).

[86] See Tomlinson, 2020, op. cit., pages 45 – 48 and Tomlinson, 2019, *The Reality of Canada's International Climate Finance, 2019,* pages 29 -30, available at http://aidwatchcanada.ca/wp-content/uploads/2019/12/Corrected-December-2019-Climate-Report.pdf

[87] See https://www.greenclimate.fund/document/gcf-b24-15.

[88] These examples are drawn from documentation for three climate sensitive agriculture projects, selected randomly, in Vietnam, Zimbabwe and Sri Lanka. A review of this project documentation, which are prepared by the implementing partner, can provide a good overview of the gender equality issues being addressed in climate finance.

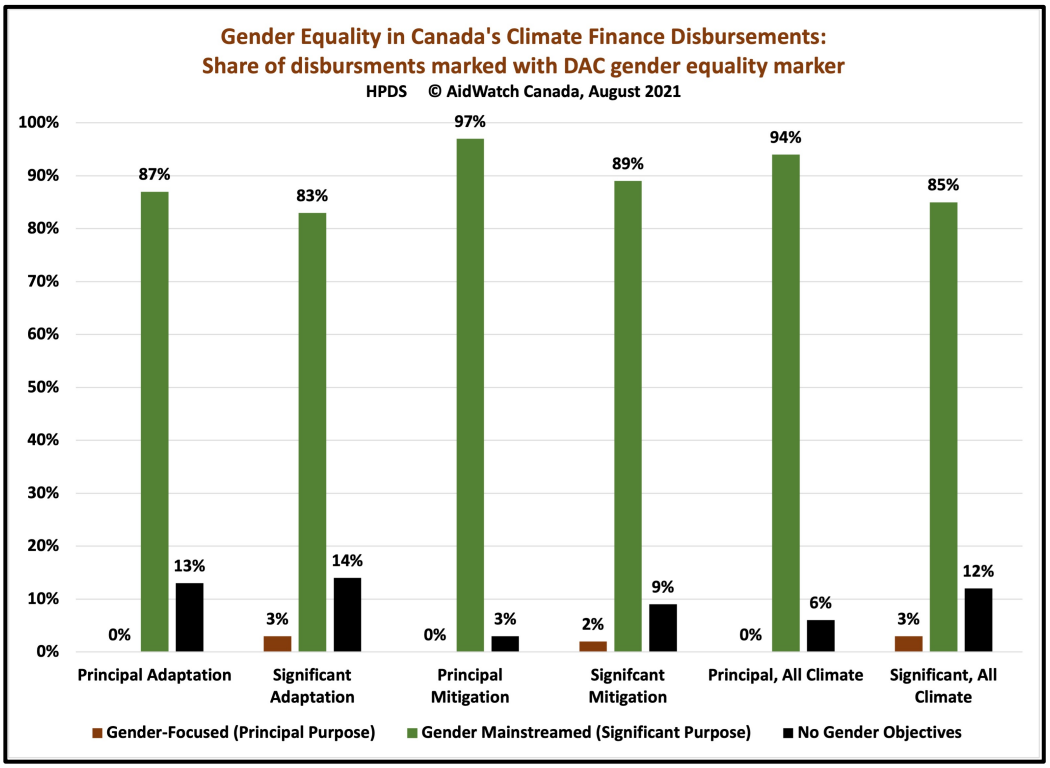
- Ensuring equal and sometimes favoured access to project resources and employment opportunities by women affected and potentially involved in the project (with particular attention to ethnic minority women);
- Ensuring women participate fully in project decision making about project implementation;
- Ensuring that women's livelihood objectives in agriculture (e.g. crop selection, including subsistence needs), access to paid labour, female-led land use and irrigation are well reflected in the project design and implementation;
- Design capacity-building priorities, opportunities, and training modules in ways that are tailored to the aspirations, needs and capacities of women, and linked to the support for women's priorities in agricultural production, the development of women's entry level entrepreneurial skills, the identification of market opportunities, product development and marketing;
- Strengthen and include local Women's Organizations representatives as participants in all aspects of the project;
- Ensure procurement and installation by farmers of gender-sensitive technologies to implement climate-resilient water resource management in rainfed farmland; and
- Provide gender sensitive technical assistance, business planning and management training to smallholder farmers, with particular emphasis on women, as well as enable women's access to financial intermediaries for sustained scaling up climate-resilient agriculture.

The vast majority (94%) of Canada's principal purpose climate finance disbursements are considered to have mainstreamed gender equality issues, based on the application of the DAC's Gender Equality Purpose Marker.[89] (**Chart Nine and Annex Ten**) Mainstreamed gender equality objectives are found in 97% of principal purpose mitigation projects and 87% of principal purpose adaptation projects. A higher proportion of principal purpose adaptation projects have no gender objectives indicated (13%), compared to principal purpose mitigation projects (3%). Between 2016/17 and 2019/20 there is only one small project, Workshop on Climate Change Negotiations for Francophone Women Leaders of Africa (Canada-France Partnership on Environment and Climate), worth $90 thousand that was marked gender equality principal purpose among principal purpose climate projects.

Attention to gender equality and climate finance are found only in significant purpose climate finance projects. There have been only 13 gender-focused (principal purpose) projects among these projects since 2016/17. The climate share (@ 30%) for these projects were $10.8 million (between 2016 and 2019), or only 2.5% of the climate share for all significant purpose climate projects. Canadian CSOs implemented more than 60% of these projects (based on total disbursements) and multilateral organizations accounted for 22%. (See **Annex Ten** for a list of these projects.)

[89]Canada applies the OECD DAC's Gender Equality Purpose Marker to its ODA. The OECD DAC purpose marker for gender equality and women's empowerment assess each project in relation to a) there are no gender equality objectives – marker 0; b) a gender equality objective is one among several other project objectives and there has been a gender equality analysis and reporting on the gender equality objective – marker 1; and c) gender equality is the principal objective of the project, whatever the sector focus, including climate adaptation or mitigation – marker 2.

Chart Nine: Gender Equality in Canada's Climate Finance, 2016/17 to 2019/20



Note: 2016/17 disbursements include Green Climate Finance, $168.6 million disbursed in 2015/16

While all principal purpose climate finance projects indicate gender objectives among other objectives (gender mainstreaming), a number of these projects nevertheless have a very strong emphasis on gender equality issues. Some examples are Women, Agriculture and Resilience in Senegal ($3 million), Accelerator for Women climate entrepreneurs ($0.5 million), Greater Rural Opportunities for Women (GROW) ($2.9 million), Cashew, Mango and Gardening Value Chains Development for the Benefit of Women and Youth ($1.4 million), Women economic empowerment through forestry cooperative development in the Middle Atlas ($1.5 million) and Empowering of Women for Climate Action ($5.3 million). The recently approved Canada-African Development Bank Climate Fund (CACF) ($132.9 million) will have a strong emphasis on supporting women entrepreneurs and other projects with a strong gender equality focus. On the other hand, for other projects where gender equality is mainstreamed, there is insufficient information and data to determine the degree to which gender equality informs the implementation of these projects on the ground.[90]

[90] For a general critique of the use of the DAC Gender Equality Purpose markers in assessing the reality for gender equality implementation in ODA projects see Aria Grabowski and Parker Essick, *Are They Really Gender Equality Projects? An examination of donors' gender-mainstreamed and gender-equality focused projects to assess the quality of gender-marked projects*, Oxfam Research Report, February 2020, accessed August 2021, at https://policy-practice.oxfam.org.uk/publications/are-they-really-gender-equality-projects-an-examination-of-donors-gender-mainst-620945.

A recent CARE analysis of gender-transformative adaptation, based on case studies, concluded that to be effective such projects must carry out climate vulnerability analysis that addresses the power dynamics, priorities, and preferences of women.[91] They must devote specific budget to activities that will drive gender transformation on the ground. In many cases they must be accompanied by actions that also address structural barriers to gender equality, such as land ownership, division of labour and roles of women in decision-making. Unfortunately, there are no provider measures in place to assess such approaches or even verify the gender-mainstreaming marker in climate finance projects.

Canada's attention to gender equality in its climate finance is much greater than most other DAC donors. For 2019, according to DAC climate finance data, just under half (46%) of climate disbursements for all DAC climate finance donors had no gender equality objective (an improvement from 66% in 2017). Only 2% of total DAC/EU climate finance for that year had a focus on gender equality as a principal purpose of the project (irrespective of the mitigation or adaptation objectives). The remaining 52% of disbursements were for projects where there was at least one gender equality objective, and a disproportionate amount (67%) was concentrated among adaptation projects.[92]

10. Canada's International Climate Finance: An international comparison

An International Comparison of Canada's Climate Finance – Key Points

1. **Taking account four years of climate finance (2016 to 2019) Canada ranks 10th among 23 DAC Annex Two donors in climate finance reported to the DAC. Canada contributed 2% of total climate finance against its 3.8% fair share (based on its relative wealth in GNI). Canada provided 1.5% of mitigation finance and 3.1% of adaptation finance over these four years.**
2. **Canada contributed only 0.007% of its GNI to its international climate finance, ranking 13 in generosity among 20 Annex Two donors. With respect to ODA Canada contributed only 0.23% of its GNI in Real ODA, ranking 16th among 22 DAC donors in aid generosity.**
3. **As a share of its climate finance, Canada ranks third among seven donors in the use of climate finance loans.**

10.1 Canada's overall performance

How does Canada's bilateral climate finance measure up against other DAC donors?[93] According to OECD DAC data on bilateral climate finance, for the four-year period 2016 to 2019 since the Paris Agreement,

[91] Karl Deering, "Gender Transformative Adaptation: From good practice to better policy," CARE, June 2019, accessed August 2019 at https://insights.careinternational.org.uk/publications/gender-transformative-adaptation-from-good-practice-to-better-policy.

[92] Calculated from DAC climate data for 2019, provider perspective. See https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm.

[93] Climate finance for DAC donors is derived from DAC climate finance statistics at the activity level found at https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm. Ranking is based on a four-year (2016 to 2019) average for provider perspective for total principal purpose climate

Canada ranks 10th in this climate finance among 29 donors (23 of which are Annex II donors under the UNFCCC), down from 9th position in data up to 2018. (See **Annex Eleven, Table 1** and *The Reality of Canada's International Climate Finance, 2020*, p. 48*)*

The provision of climate finance is highly concentrated among donors. The top ten climate finance donors make up more than 90% of all climate finance in four years. The top five donors (Germany, EU Institutions, Japan, France and the United States) contributed 72% of all climate finance during these four years. Canada contributed 2% of this total bilateral climate finance (against its fair share at 3.8% based on its GNI relative to total donor GNI).

According to DAC data, Canada ranks 9th for both mitigation and adaptation finance respectively for the period 2016 to 2019, down from 8th position for data up to 2018. Canada provided 1.5% of total mitigation finance over these four years and 3.1% of adaptation finance.[94] Climate finance is highly concentrated among DAC donors. The top ten donors contribute 92% of mitigation finance and 89% of adaptation finance. (**Annex Eleven, Table 1, Table 2, Table 3**)

All DAC donors reported that on average over the four years, 41% of their climate finance was devoted to adaptation. (**Annex Eleven, Table 3**) Canada reported a four-year average of 59% for adaptation.[95] This reporting of adaptation climate finance is unreliable, as we have seen in a more detailed analysis of actual disbursements in Canada's climate finance, which produces a share closer to 30%. Donor comparisons are therefore problematic.

These concerns are confirmed by a recent CARE review of 112 multilateral and bilateral adaptation projects, which reached the conclusion that "donors routinely exaggerate the adaptation finance component of their projects."[96] Figures for adaptation finance "are severely overstated and far too high," equivalent to 42% of the reported totals for these 112 projects, which represented a broad spectrum of adaptation finance. Some of the projects that were examined, for example, include large infrastructure projects that had little to do with adaptation.

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finance and significant purpose climate finance adjusted to 30% of commitments for all donors. See the Methodological Note. Canada has taken this conservative approach (30%) in reporting its significant purpose projects unlike most other donors, who use coefficients ranging from 100% to 30%. See the coefficients at https://one.oecd.org/document/DCD/DAC/STAT(2020)41/REV2/en/pdf.

[94] It should be noted that the author has not adjusted DAC activity level data for the actual performance of Canada's climate funds at the MDB, given that similar issues may also affect other donors' actual performance. These amounts for adaptation and mitigation therefore differ from those calculated for the $2.65 billion commitment and for disbursements using the HPDS.

[95] This reported amount in the DAC CRS is much higher than suggested by this report (closer to 30%). The higher figure is not corrected for the small actual allocations to adaptation from Canada's MDB special funds and from the GCF based on a detailed review of these Funds. The latter is closer to the reality for Canadian adaptation finance.

[96] CARE Denmark and CARE Netherlands, Climate Adaptation: Fact or Fiction?, a report written by Andrew Hattle, April 2021, accessed at https://careclimatechange.org/wp-content/uploads/2021/01/CARE_Synthesis-report_Final_April-2021.pdf.

10.2 Canada's generosity in climate finance

While Canada is an important donor for climate finance, its actual generosity relative to the wealth of the country is very weak. Over the four-year period, on average, Canada contributed only 0.007% of its Gross National Income (GNI), ranking 13th among 20 donors. (**Annex Eleven, Table 4**) In terms of climate finance generosity (as a share of GNI), Norway (0.089% of its GNI), France (0.057%), Sweden (0.057%), Germany (0.054%) and Denmark (0.047%) were the top five performers. Norway, Sweden and Denmark have consistently exceeded 0.7% of GNI for their ODA. Among the G7 countries, Canada ranks 4th, with Japan, Italy, and the United States at the bottom among these G7 donors.

This low level of generosity on the part of Canada is closely related to its low level of generosity for ODA as a whole (from which almost all of climate finance is derived). While its aid increased slightly over these four years, on average, Canada contributed only 0.23% of its GNI in Real ODA, ranking 16th among 22 DAC donors in aid generosity.[97] Along with many other donors, Canada is very far from meeting the UN goal of 0.7% of their GNI devoted to ODA.

10.3 The use of loans in Canada's climate finance

EURODAD, a European NGO that monitors debt and development issues, recently calculated that at least 62 developing countries spent more on debt service than on health care in 2020, despite a moratorium on debt servicing for the poorest countries.[98] There are currently 36 low-income countries at or near serious debt distress.[99] The economic and fiscal fall-out of the pandemic for developing countries critically exacerbated their debt crisis.

Despite the *Paris Agreement* stress on the importance of "grant-based resources for adaptation" (Article 9, para 4), the level of loans in the overall profile of climate finance is a major issue. The IMF is paying increasing attention to the financial sustainability of debt in low-income countries and some middle-income countries. The wide-spread use of loans to governments and the private sector in developing countries for climate projects will seriously exacerbate debt distress for many of these countries, now compounded by the pandemic.[100]

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[97] Real ODA is ODA less in-donor refugee and student costs, debt cancellation and interest payments on previous ODA loans. It provides a more accurate reflection of ODA resources available to developing country partners.

[98] Eurodad, "A Debt Pandemic: Dynamics and implications of the debt crisis in 2020," Biefing Note by Daniel Munevar, March 2021, accessed at https://d3n8a8pro7vhmx.cloudfront.net/eurodad/pages/2112/attachments/original/1622627378/debt-pandemic-FINAL.pdf?1622627378. See also Bodo Ellmers, "The New Debt Crisis and What to Do About It," Briefing, Global Policy Forum, June 2021, accessed at https://www.globalpolicy.org/sites/default/files/download/Briefing_0621_Debt_Crisis.pdf.

[99] https://www.imf.org/external/Pubs/ft/dsa/DSAlist.pdf.

[100] See UNCTAD, "Growing concern on debt sustainability in some developing countries and LDCs," June 2019, accessed August 2019 at https://sdgpulse.unctad.org/issues-debt-sustainability/. This note highlights the concern

Table Twelve: Use of Debt Instruments in Principal Purpose Climate Finance, 2016 to 2019
DAC CRS; Provider Perspective; Commitments
Ranked by share of loans in donor climate finance

Billions of US Dollars

Donor	Debt Finance Four-Year Total	Share of Total Debt Instruments	Share of Donor Climate Finance (Four-Years)
1. Japan	$1.48	6.9%	87%
2. France	$9.17	42.5%	86%
3. Canada	$0.83	3.9%	75%
4. Germany	$9.91	45.9%	68%
5. Korea	$0.08	0.3%	36%
6. Belgium	$0.03	0.1%	15%
7. Italy	$0.02	0.1%	8%
Total Debt Instruments (Four Years)	**$21.58**		
Share of Total Principal Purpose Climate Finance	**46%**		
Share of Loans in Total Adaptation Principal Purpose Climate Finance	**29%**		
Share of Loans in Total Mitigation Principal Purpose Climate Finance	**53%**		

As a basic principle of climate justice, developing countries should not be responsible for paying developed countries (principal and interest on loans) for measures to adapt or mitigate the impacts of climate change, for which developed countries alone are largely responsible.

For principal purpose climate finance over the four-year period (2016 to 2019), almost half (46%) was provided through mainly concessional loans (29% for adaptation finance and 53% for mitigation finance). France and Germany, among the largest climate finance donors overall, account for 88% of all climate loan finance in this period.

Among the seven donors that provided some of their climate finance through loans, Canada ranks 3rd in the share of this finance provided as loans. (**Table Twelve**). According to DAC data, three-quarters (75%) of Canada's climate finance between 2016 and 2019 were provided as loan finance. These amounts do not include a loan payment for the Green Climate Fund made in late 2015. Adaptation finance (73% loans) or mitigation finance (78% loans) made little difference in this modality of finance for Canada. It should

for increasing private sector debt in developing countries: "By 2017, non-financial corporate debt in emerging market economies had risen to over $30 trillion, almost 95 per cent of their combined GDP, surpassing comparable levels for developed markets (*Financial Times*, 2018). It is difficult for large corporations in developing countries to sufficiently hedge their foreign-currency debt exposure. Their liabilities are, therefore, ultimately backed by foreign currency reserves in their domestic economy. If private sector external debt becomes unsustainable, governments often have no choice but to transfer the bulk of this debt onto public balance sheets."

be noted that all of Canada's climate finance loans are concessional, unlike several other donors and the MDBs that also include non-concessional loans.

11. Concluding Reflections

Canada's G7 pledge to allocate $5.3 billion in climate finance up to 2025/26, doubling the former $2.65 billion pledge, should mark a major milestone in improving this country's standing in meeting its international climate obligations. Yet as analysis in this Report documents, it still falls significantly short in allocating Canada's fair share of the global US$100 billion commitment, and even more so, against the real and urgent needs of the most vulnerable countries and people affected by climate change. It's impact on reducing Canada's already very low level of ODA remains an open question.

Nevertheless, Canada, alongside Germany, will be playing an important role in the lead-up to COP26 in November 2021. The Government will be co-leading a process to build trust that donors will deliver the US$100 billion climate finance annually through 2025. The quality of these resources in addressing the climate emergency also matter. In making its new pledge, the Government "recognizes that urgent action is needed to address the interconnected crises of climate change and biodiversity loss, which disproportionally affect the poorest and most vulnerable."[101]

This Report suggests that the Government should make major changes in the allocation of the $5.3 billion to meet these goals – priority to adaptation and nature-based solutions, feminist climate action, and reaching the most vulnerable countries and people. A key finding is the importance of reconsidering the main modalities for delivering its climate finance:

a) **Count only principal purpose climate projects** in the allocation of the $5.3 billion pledge. The US$100 billion is a climate specific pledge. At the same time, it is important to continue to mainstream climate objectives in other development initiatives to ensure effective development outcomes.

b) **Increase bilateral channels to at least 40% of total commitments (from 8%), and give priority to non-MDB channels for initiatives at the multilateral level.** The large allocations to the special Canadian initiatives at the MDBs from the previous pledge (52%) has significantly distorted the priorities for Canada's climate finance away from a feminist focus on the most vulnerable as well as adaptation.

- Canada's special funds for the private sector at the MDBs are now well capitalized from the $2.65 billion pledge, but have been very slow in allocating funds to final project implementors (approximately 68% remain to be disbursed, versus 28% for other projects financed from the previous pledge as of July 2021).
- MDB special Canadian funds are a major factor in the large share of climate finance loans.
- The MDB special Canadian funds, with their emphasis on private sector blended finance, are almost entirely focused on mitigation objectives, severely limiting Canadian finance dedicated to adaptation or loss and damages.

[101] Government of Canada, "Canadian international climate finance," Web site updated August 13, 2021, accessed September 2021 at https://www.canada.ca/en/services/environment/weather/climatechange/canada-international-action/climate-finance.html.

- The country priorities of MDB projects through the special Canadian funds significantly reduce Canada's focus on the most vulnerable in the least developed countries and SIDS.
- The MDB special funds have been problematic in meeting Canada's goal to be fully transparent in its climate finance. Little information is available on the final private sector implementors of projects financed by these funds and there is no verification of the actual impact on mitigation objectives.

c) **Reverse Canada's reliance on loans in its climate finance, with grants making up at least 75%,** acknowledging that developing countries should not be responsible for debt resulting from climate impacts for which they bear little responsibility. Canada's G7 pledge states that grants will increase from 30% ($2.65B pledge) to 40%. But Canada still remains among the few donors with very high levels of loans in its climate finance. Canada should support the GCF and IFAD with only grant finance.

d) **Allocate more than 50% in adaptation finance, in which adaptation is a verifiable outcome of each initiative.** There is considerable debate about the actual levels of donors' adaptation finance, including Canada. This Report suggests that adaptation is approximately 30% of the $2.65 billion pledge, in part due to the heavy reliance on the MDB special Canada funds (15% to adaptation). On the other hand, about 60% of bilateral allocations related strongly to adaptation.

e) **Expand support for principal purpose gender equality projects in Canada's climate finance.** While Canada has a significant experience in bringing a feminist approach to climate finance, it has almost no climate projects where gender equality is the main objectives. Given the limited experience of the MDBs in this area, bilateral and select multilateral initiatives, such as with UN Women, will be key to advancing this agenda.

f) **Initiate a distinct discussion on loss and damages finance** separate from current Canadian practice to include such finance as adaptation.

g) **Expand the role of CSOs in all aspects of the implementation of the $5.3 billion pledge, particularly in advancing a focus on adaptation and loss and damages.** Adaptation is highly context and community-specific and CSOs are well placed to reach the most vulnerable with locally adapted climate and nature-based solution. In the context of shrinking civic space, protecting environmental human rights defenders and supporting Indigenous Peoples organizations' climate initiatives will be an important part of localizing Canada's climate finance.

Data Sources and Methodology Notes

A. Sources of Information

As noted in the Report (footnote 1), the author has developed a methodology and used data sources for calculating Canada's climate finance that are different than those used by the Government of Canada in its reports to the UNFCCC. The Report's methodology is consistent with the approach of C4D to climate finance. For example, the Report excludes the inclusion of significant purpose climate finance projects in the determination of Canada's $2.65 billion pledge. This Note highlights the data sources and the methodologies used.

The data sources for this analysis of climate finance are the following:

a) Government's Recent Announcements for Climate Finance[102] and Environment and Climate Change Canada's website on Canada's Climate Finance with detail on all climate finance projects.[103] GAC also provided the author with a list of projects relevant to the $2.65 billion commitment. The amounts in these announcements are total commitments, which may be disbursed over several years.

b) Global Affairs Canada's Project Browser[104] and the Historical Project Data Set (HPDS) for the years up to 2018/19 inclusive.[105] The Browser has detailed information on all projects funded through Global Affairs Canada, including total project budget as a multi-year commitment. The Historical Project Data Set provides detailed annual disbursements information for each ODA project financed by GAC (and since 2016/17 for all Departments). Climate finance is identified through the Rio Marker System (see below). This report only considers principal purpose climate finance under the $2.65 billion and $5.3 billion commitments.

c) OECD DAC's annual reports on provider climate finance.[106] These reports are derived from providers' annual ODA reports to the DAC Creditor Reporting System (CRS) and are based on the Rio Marker System (see below) with climate finance the principal purpose and climate finance a significant purpose among other purposes. The DAC also uses biennial report to the UNFCCC in compiling its annual determination of total climate finance. Loans are not adjusted to their grant equivalency basis in the DAC climate databases, as is the current practice for DAC aggregate reports on donor ODA.

d) Internet searches for specific Canadian climate finance projects.

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[102] See https://climate-change.canada.ca/finance/RecentAnnouncements-AnnoncesRecentes.aspx?GoCTemplateCulture=en-CA.

[103] See https://climate-change.canada.ca/finance/Default.aspx

[104] See http://w05.international.gc.ca/projectbrowser-banqueprojets/?lang=eng

[105] See http://www.international.gc.ca/department-ministere/open_data-donnees_ouvertes/dev/historical_project-historiques_projets.aspx?lang=eng

[106] See https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm

B. Rules for determining the level of finance in projects marked through the DAC Rio Marker

Most of the analysis of climate finance is based on provider reports to the DAC CRS (see above) against the Rio Marker for climate change adaptation and climate change mitigation.[107] The project commitment or annual project disbursement marked climate change adaptation or mitigation is reported in full to the DAC. There are two issues that arise.

First, projects where only part of the project is relevant to climate finance (significant purpose projects) need to be adjusted to reflect only the climate finance portion. However, there are no agreed rules among the parties to the UNFCCC for doing so. Providers have different practices, and Canada has determined that 30% of the commitment/disbursement for projects marked significant purpose would be counted as climate finance in its reports to the UNFCCC.[108] Given the impossibility of examining each project individually, this proportion seems reasonable (and was used by the author for the 2017 Benchmark Report prior to Canada adopting this rule).

Second, the same project may be marked both climate finance adaptation and climate finance mitigation, which will create a situation of double counting if such finance is added without adjustments.

Accordingly, AidWatch Canada datasets for climate finance are adapted from the HPDS and the DAC CRS with the following rules:

a) Only concessional (grants or loans) are included.

b) Allocations of the Rio marker for principal purpose and significant purpose climate finance allocated to either adaptation and/or mitigation are calculated along the following lines to avoid double counting:

Principle Purpose:

i. Principle Purpose / Not Targeted – Counted at 100% principal purpose for either adaptation or mitigation (i.e. the one targeted).

ii. Principal Purpose / Principle Purpose – Counted at 50% for adaptation and 50% for mitigation

iii. Principle Purpose / Significant Purpose – Counted at 100% for principle purpose only, and not significant purpose.

[107] For more information on the Rio Marker see http://www.oecd.org/dac/environment-development/Annex 18. Rio markers.pdf and http://www.oecd.org/dac/stats/rioconventions.htm.

[108] See the different provider practices in their reports to the UNFCCC in this Adaptation Watch Report, https://static1.squarespace.com/static/56410412e4b09d10c39ce64f/t/581af8272e69cfd82f8a834a/1478162481457/Adaptation+Watch+Report+2016+Digital+FIN.pdf, page 24. For Canada's methodological rules see its Third Biennial Report to the UNFCCC, accessed August 2019 at https://unfccc.int/files/national_reports/national_communications_and_biennial_reports/application/pdf/82051493_canada-nc7-br3-1-5108_eccc_can7thncomm3rdbi-report_en_04_web.pdf, page 246 and pages 256-7.

Significant Purpose:

i. Significant Purpose / Not Targeted – Counted at 30% of significant purpose amount for the one targeted.

ii. Significant Purpose / Significant Purpose – Counted at 30% of significant purpose amount, divided equally between adaptation and mitigation

iii. Significant Purpose / Principal Purpose – Not included in significant purpose allocations as it is already counted as principal purpose (see principal purpose [iii] above).

C. Using the DAC Climate Database for comparisons to other providers

In order to compare provider commitments to climate finance, AidWatch Canada uses the DAC Climate Databases. It analyzes only ODA-reported climate finance, using the **provider perspective**, for years 2015 to 2019, the last year for data. The DAC also has a database using the **recipient perspective**.[109]

The **provider perspective** includes all provider bilateral commitments for climate finance, plus pro-rated donor non-earmarked contributions to multilateral funds and financial institutions, which can be related to climate finance. The latter is calculated by the DAC based on the share of disbursements by these institutions for climate finance.[110] These imputed multilateral allocations are then attributed to each provider, but unfortunately are not allocated to adaptation or mitigation through the Rio Marker. The author allocates these contributions to adaptation/mitigation based on the share indicated in the 2019 Joint Multilateral Development Banks Report on their climate finance or an examination of the Fund by AidWatch Canada.

These imputed multilateral contributions in the 'provider perspective' indicate provider contributions to these channels, not climate finance disbursements made by these multilateral institutions to recipient countries.

All DAC data is commitment basis (total project budget). Providers report commitments in the year that they are made, while disbursements may take place over several subsequent years. To date, the DAC does not report climate finance on a net disbursement basis. Gross disbursements for climate finance (including the full value of loans, but not any repayments of loans) can be accessed directly from the DAC CRS by sorting project level data for the climate finance policy markers.[111]

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[109] See the database at http://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm. Also see the methodological note by the DAC on the differences between the 'provider perspective' and the 'recipient perspective' at http://www.oecd.org/dac/financing-sustainable-development/development-finance-data/METHODOLOGICAL_NOTE.pdf. The main difference is how multilateral disbursements are included. The provider perspective counts donor allocations to the multilaterals while the recipient perspective counts the actual disbursement of the multilaterals made with their own resources.

[110] See https://www.oecd.org/dac/financing-sustainable-development/development-finance-data/Imputed multilateral shares.xlsx.

[111] See https://stats.oecd.org/Index.aspx?ThemeTreeId=3.

The DAC also provides climate finance on from a **recipient perspective**. The recipient perspective measures all bilateral climate finance received by recipient countries (similar to the 'provider perspective'), but also climate related outflows from multilateral organizations. In order to avoid double counting of bilateral funds through the multilateral system, only multilateral commitments made out of their own internal resources, are counted in the 'recipient perspective,' not provider flows to multilateral institutions. Recipient perspective data are available from 2010.

Because of this limitation relating to multilateral institutions with the recipient perspective, AidWatch Canada uses the 'provider perspective' as the provider orientation is the usual purpose of the analysis. Also, the analysis excludes non-DAC members reporting to the CRS and focuses on concessional grants and loans (excluding a few non-concessional flows from some donors as these flows are not consistently reported by all providers to the DAC against the Rio Marker.)

All **concessional loans** are converted to their grant equivalency based on the average grant equivalency for the donor, as reported by the DAC for their ODA for that year.

D. Multilateral institutions data for climate finance

A full picture of multilateral institutions commitments and disbursements can be found in the annual *Joint Report on Multilateral Development Banks' Climate Finance*.[112]

E. Summary of Canada's Climate Finance

a) Project commitments under the $2.65 billion pledge This project data derived from a list of projects included in this commitment provided to the author by GAC in June 2020. For a list of these projects see **Annex Five**. If the reference is only to the $2.65 billion, then the analysis relates only to these projects listed in **Annex Five**. Note that this Annex excludes significant purpose projects (approved prior to 2016 and disbursed after 2016), which the Government of Canada includes in determining the full disbursement of the $2.65 billion pledge.

b) Disbursements from the Historical Projects Dataset (HPDS) This dataset is published each year in May/June for the previous fiscal year. The HPDS provides statistical information on purpose codes, recipient countries, GAC project numbers and titles, implementing partners, and sector priorities for each project disbursement for that fiscal year. The last available version for this Report is 2019/20.

The HPDS since 2016/17 has been revised to include not only disbursement for international assistance by GAC, but also by other federal departments such as the Department of Finance (World Bank and IMF) and Environment and Climate Change Canada.

[112] The 2020 Report can be found at https://www.isdb.org/publications/2020-joint-report-on-multilateral-development-banks-climate-finance.

The calculation of disbursements of climate finance for this Report excludes Canada's obligation for core replenishments for International Financial Institutions and UN organizations, except for the GEF, which is consistent with the approach to accounting for the $2.65 billion commitment by the Government. All disbursements are adjusted according to the rules for the Rio Marker set out in section B above.

The Canada Climate Fund for the Private Sector II at the ADB was recorded by GAC as both adaptation and mitigation, but AidWatch Canada records this project as 100% mitigation based on published project allocations for Phase I and Phase II. Similarly other funds at the MDBs have been adjusted according to the actual experience of project lending by these funds up to July 2021. See **Annex Five** and **Annex Six** for details.

F. Calculation of Canada's fair share of international finance

Canada's fair share is based on the share of Canada's GNI in the total GNI for all DAC providers. This information is available in DAC Table DAC1.[113] Following a methodology by the World Resources Institute, this Report calculates Canada's fair share based on the most recent four-year average of Canada's GNI relative to the DAC donors total GNI for these four years. The share varies from year to year depending on the relative growth in GNI for the respective donor countries. The current calculation used in the Report is 3.8%. The World Resources Institute also takes into account a country's historic contribution of GHG emissions, and GHG emissions per capita. This Report only uses the GNI measure. Another composite methodology has been developed recently by the Overseas Development Institute.[114]

G. Adaptation as a Share in Canada's Climate Finance

The Report uses the list of project commitments within the $2.65 billion pledge (**Annex Five)** to determine the current balance in this commitment. The calculation takes into account several adjustments for projects coded to adaptation with multilateral banks noted in section E above. This Report also builds on the 2020 Report to estimate Canada's total climate finance (see **Table Seven**). An estimation of the adaptation/mitigation shares is calculated also for each component of this total finance, according to assumptions set out for Table Seven.

[113] See https://stats.oecd.org/Index.aspx?ThemeTreeId=3.

[114] See Sarah Colenbrander, Yue Cao, Laetitia Pettinotti and Adriana Quevedo, "A fair share of climate finance?," Overseas Development Institute, Discussion Paper, September 2021, accessed September at https://odi.org/en/publications/a-fair-share-of-climate-finance-apportioning-responsibility-for-the-100-billion-climate-finance-goal/

H. Allocations to Country Income Groups

This report uses the country distribution to income groups according to the OECD DAC. The latest listings are for 2014-2016. Data from the HPDS are calculated based on this country distribution.

1) Green Climate Fund and MDBs The allocation by income groups for the Green Climate Fund projects is based on a project by project review of the projects funded up to July 2021 as set out on the web site of the Green Climate Fund.

2) $2.65 billion pledge project commitments This report examines the projects lists in **Annex Five** to determine their regional and country income grouping. The allocations to income groups are affected by regional programs unallocated climate finance by income group. Much of the unallocated relates to Canadian climate finance through multilateral institutions. Individual project allocations from the MDB Funds are also used (see **Annex Six**).

Sectors

DAC Sector codes as recorded for disbursements in the HPDS. Sector allocation for several projects have been adjusted according to known experience of MDBs' Funds.

Other Multi Sectors

2017/18 - IFC Blended Climate Finance Fund Disbursements - Mitigation - $36.8
- Transport – 28% - $10.2
- Energy – 55% - $20.1
- SMEs – 13% - $4.8
- Agriculture – 5% - $1.7

2019/20 – IFAD Climate Finance Loan – Adaptation and Mitigation - $10.5 each
- Agriculture – 100% - $10.5 for adaptation and mitigation

Environmental Protection

Green Climate Fund Disbursements (Author's calculation based on review of approved projects to July 2021)

2015/16:	Adaptation - $67.2	Mitigation - $100.8
2018/19:	Adaptation - $45.9	Mitigation - $ 68.8
Total:	$113.1	$169.6

Adaptation

- Agriculture – 34% - $38.5
- Water Management – 23% - $26.0
- Multi-sector – 15% - $17.0
- Energy – 10% - $11.3
- Humanitarian – 9% - $10.2
- Environmental Protection – 5% - $5.7
- Forestry – 4% - $4.5

Mitigation

- Energy -56% - $93.4
- Forestry – 13% - $21.5
- Multi-sector – 19% - $32.2
- Agriculture - 6% - $10.7
- Transport – 6% - $10.2